

**Next Green Wave Holdings Inc.,  
Tax Information Statement  
Regarding  
Code Section 367(b) Implications**

This Tax Information Statement is provided in connection with the Plan of Arrangement pursuant to which Planet 13 Holdings Inc., a company existing under the laws of the Province of British Columbia, Canada (“**Planet 13**”) will acquire all of the common shares of Next Green Wave Holdings Inc., a company existing under the laws of the Province of British Columbia, Canada (“**NGW**”), as described in the Notice of Special Meeting and Management Information Circular with respect to an Arrangement involving NGW and Planet 13, dated January 24, 2022, (the “**Circular**”), and thereafter NGW will merge into Planet 13, with Planet 13 remaining as the surviving entity. Defined terms not otherwise defined herein, have the meaning attributed to such term in the Circular

This Tax Information Statement is directed to U.S. Holders who are U.S. Shareholders or who are Substantial U.S. Holders, as defined below. For purposes of this Tax Information Statement, a “**U.S. Holder**” means a beneficial owner of NGW Shares, who is, for U.S. federal income tax purposes:

- (a) an individual citizen or resident alien of the United States;
- (b) a corporation or other entity treated as a corporation for U.S. federal income tax purposes, created or organized in or under the laws of the United States or any political subdivision thereof;
- (c) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- (d) a trust (i) that validly elects to be treated as a U.S. person for U.S. federal income tax purposes or (ii) the administration over which a U.S. court can exercise primary supervision and all of the substantial decisions of which one or more U.S. persons have the authority to control.

A U.S. Holder that, on the date upon which the Arrangement becomes effective (the “**Effective Date**”) beneficially owns (directly, indirectly or constructively) 10% or more of (i) the total combined voting power of all classes of NGW Shares entitled to vote on the Effective Date or (ii) the total value of all classes of NGW Shares is a “**U.S. Shareholder**”. A U.S. Holder’s ownership of warrants will be considered in determining whether such U.S. Holder owns 10% or more of the total combined voting power or value of all classes of NGW Shares.

**COMPLEX ATTRIBUTION RULES APPLY IN DETERMINING WHETHER A U.S. HOLDER OWNS 10% OR MORE OF THE TOTAL COMBINED VOTING POWER OF ALL CLASSES OF NGW SHARES ENTITLED TO VOTE OR 10% OF THE TOTAL VALUE OF ALL CLASSES OF NGW SHARES FOR U.S. FEDERAL INCOME TAX PURPOSES. U.S. HOLDERS ARE STRONGLY URGED TO CONSULT WITH THEIR**

## **OWN TAX ADVISORS REGARDING WHETHER THEY ARE OR ARE NOT A U.S. SHAREHOLDER.**

A U.S. Holder whose NGW Shares have a fair market value of \$50,000 or more but who is not a U.S. Shareholder is a “**Substantial U.S. Holder**”.

### **The Arrangement and Amalgamation**

On the Effective Date, Planet 13 will acquire all the outstanding shares of NGW pursuant to the Plan of Arrangement and Arrangement Agreement (the “**Arrangement**”) between Planet 13 and NGW dated December 20, 2021 conducted in accordance with Section 288 of the British Corporations Act (British Columbia) (the “**BCBCA**”). On completion of the Arrangement, NGW will merge with Planet 13 (the “**Amalgamation**”) to form one corporate entity that will continue with the same effect as if the parties had amalgamated under Section 269 of the BCBCA, except that the legal existence of Planet 13 did not cease and Planet 13 survived the merger. The Arrangement and Amalgamation are intended to constitute a single integrated transaction qualifying as a tax-deferred reorganization under Section 368(a)(1)(A) of the Internal Revenue Code of 1986, as amended (the “**Code**”) (an “**A Reorganization**”).

### **Code Section 367(b)**

Although Planet 13 is organized as a Canadian corporation, it believes it is treated as a U.S. domestic corporation for U.S. federal income tax purposes pursuant to Section 7874 of the Code. Section 367(b) of the Code applies to certain non-recognition transactions involving foreign corporations, including the domestication of a foreign corporation in an A Reorganization. When applicable, Code Section 367(b) imposes U. S. federal income tax on certain U.S. Holders in connection with transactions that would otherwise generally be tax-deferred. Because Planet 13 is taxed as a U.S. corporation for U.S. federal income tax purposes and NGW is taxed as a non-U.S. corporation for U.S. federal income tax purposes, Code Section 367(b) is expected to apply to the Arrangement and Amalgamation.

### **Consequences For U.S. Shareholders**

A U.S. Holder who on the Effective Date is a U.S. Shareholder is required for U.S. federal income tax purposes to include in income as a deemed dividend the “all earnings and profits amount” attributable to the NGW Shares it owns, within the meaning of Code Section 367(b) and Treasury Regulations Section 1.367(b)-2(d) (the “**All E&P Amount**”). A U.S. Holder’s All E&P Amount is the net positive earnings and profits of NGW attributable to its NGW Shares (as determined under Treasury Regulations under Code Section 367(b)) but without regard to any gain that would be realized on a sale or exchange of such NGW Shares. Treasury Regulations under Code Section 367(b) provide that the All E&P Amount attributable to a shareholder’s stock is determined according to the principles of Section 1248 of the Code. In general, Section 1248 of the Code and the Treasury Regulations thereunder provide that the amount of earnings and profits attributable to a block of stock in a foreign corporation is the ratably allocated portion of the foreign corporation’s earnings and profits generated during the period the shareholder held the block of stock.

## **Consequences For Substantial U.S. Holders**

A U.S. Holder who on the Effective Date is a Substantial U.S. Holder (i.e. whose NGW Shares have a fair market value of \$50,000 or more but who is not a U.S. Shareholder) is generally not entitled to claim tax-free treatment for U.S. federal income tax purposes with respect to the Arrangement and Amalgamation and must generally recognize gain (but not loss) in an amount equal to the excess of the fair market value of the Planet 13 shares and cash received over the Substantial U.S. Holder's adjusted tax basis in the NGW Shares that are exchanged. Any such gain should be capital gain if the Substantial U.S. Holder held the NGW Shares as capital assets and should be long-term capital gain if the Substantial U.S. Holder held the NGW Shares for longer than one year. This determination is made separately for each share or block of NGW Shares owned by the Substantial U.S. Holder.

As an alternative to recognizing gain, a Substantial U.S. Holder may elect to include in income, as a deemed dividend, the All E&P Amount with respect to its NGW Shares (such election a **"Deemed Dividend Election"**) under Code Section 367(b). A Substantial U.S. Holder must file a notice (a **"Section 367(b) Notice"**) that satisfies the applicable requirements set forth in Sections 1.367(b)-1(c) and 1.367(b)-3(c) of the Treasury Regulations to make the Deemed Dividend Election to include in income the All E&P Amount with respect to its NGW Shares and thereby avoid being required to recognize gain on the Arrangement and Amalgamation.

### **NGW All E&P Amount**

**NGW, in consultation with its accountants, has determined that it has never had positive earnings and profits for any taxable year in which it has been in existence that would result in any shareholder having an All E&P Amount (as described in Treasury Regulations Section 1.367(b)-2(d)).** Accordingly, NGW believes that U.S. Shareholders and Substantial U.S. Holders, who make the Deemed Dividend Election, will not have to include in income a deemed dividend related to a positive All E&P Amount for U.S. federal income tax purposes as a result of the Arrangement and Amalgamation.

### **Abbreviated 367(b) Notice**

Further, because NGW has never had positive earnings and profits for any taxable year in which it has been in existence that would result in any shareholder having an All E&P Amount, a Substantial U.S. Holder of NGW Shares should be able to make the Deemed Dividend Election by filing an abbreviated Section 367(b) Notice in accordance with Treasury Regulations Section 1.367(b)-1(c)(5) with the Internal Revenue Service. This abbreviated Section 367(b) Notice must be attached to the Substantial U.S. Holder's timely filed U.S. federal income tax return for its tax year that includes the Effective Date. For your convenience, a sample abbreviated Section 367(b) Notice relating to the Arrangement and Amalgamation is attached hereto as **Exhibit A**. A Substantial U.S. Holder should attach a copy of this Tax Information Statement as an exhibit to its Section 367(b) Notice.

In addition, the Substantial U.S. Holder must notify Planet 13 that it will make the Deemed Dividend Election no later than the date the Substantial U.S. Holder files its U.S. federal income tax return for its tax year that includes the Effective Date. You may email your notice of election to [NGWTaxNotice@planet13holdings.com](mailto:NGWTaxNotice@planet13holdings.com) indicating your name, address, taxpayer identification numbers and the following statement: “[Name of taxpayer] will be making the election under Treasury Regulations Section 1.367(b)-3(c)(3) to report the applicable pro rata portion of NGW’s all earnings and profits amount, as described in Treasury Regulations Section 1.367(b)-2(d).”

The U.S. federal income tax consequences of the Arrangement and Amalgamation to any particular NGW Shareholder will depend on such NGW Shareholder’s specific facts and circumstances, and whether such NGW Shareholder is subject to special treatment under the U.S. federal income tax laws, for example (without limitation): (i) certain former U.S. citizens or residents; (ii) stockholders that hold our common stock as part of a straddle, constructive sale transaction, synthetic security, hedge, conversion transaction, wash sale or other integrated investment or risk reduction transaction; (iii) stockholders that are partnerships or entities treated as partnerships for U.S. federal income tax purposes or other pass-through entities or owners thereof; (iv) “controlled foreign corporations”; (v) “passive foreign investment companies”; (vi) financial institutions; (vii) insurance companies; (viii) tax-exempt entities; (ix) dealers in securities or foreign currencies; and (x) traders in securities that use a mark-to-market method of accounting for U.S. federal income tax purposes.

**NGW SHAREHOLDERS ARE STRONGLY URGED TO CONSULT THEIR OWN TAX ADVISORS REGARDING THE U.S. FEDERAL INCOME TAX CONSIDERATIONS ASSOCIATED WITH THE ARRANGEMENT AND AMALGAMATION, THE APPLICATION OF CODE SECTION 367(b) TO THEM BASED ON THEIR PARTICULAR CIRCUMSTANCES, WHETHER TO MAKE THE DEEMED DIVIDEND ELECTION AND, IF THE ELECTION IS DETERMINED TO BE ADVISABLE, THE APPROPRIATE FILING REQUIREMENTS AND FORM OF NOTICE WITH RESPECT TO THIS NOTICE/ELECTION.**