



**MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE THREE MONTHS ENDED MARCH 31, 2026 AND 2025**  
Expressed in United States Dollars

Dated: May 13, 2026

The Management's Discussion and Analysis of Financial Condition and Results of Operations for Planet 13 Holdings Inc. is also included in the Form 10-Q for the three months ended March 31, 2026, filed on SEDAR+ on May 13, 2026, in its entirety.

## Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

This management’s discussion and analysis (“**MD&A**”) of the financial condition and results of operations of Planet 13 is for the three months ended March 31, 2026. It is supplemental to, and should be read in conjunction with, our unaudited condensed interim consolidated financial statements for the three months ended March 31, 2026 and 2025, and the accompanying notes presented herein. Our financial statements are prepared in accordance with accounting principles generally accepted in the United States of America (“**GAAP**”). Financial information presented in this MD&A is presented in United States dollars (“\$”, “USD” or “US\$”), unless otherwise indicated.

In this MD&A, unless the context otherwise requires, the terms “**we**,” “**us**,” “**our**,” “**Company**,” or “**Planet 13**” refer to Planet 13 Holdings Inc. together with its wholly owned subsidiaries.

This MD&A contains certain “forward-looking statements” and certain “forward-looking information” as defined under applicable United States and Canadian securities laws. Please refer to the discussion of forward-looking statements and information set out under the heading “Cautionary Note Regarding Forward-Looking Statements,” identified in this Quarterly Report on Form 10-Q. As a result of many factors, our actual results may differ materially from those anticipated in these forward-looking statements and information.

### Overview

We are a multi-state cannabis operator with licenses to operate in Nevada, California, Florida, and Illinois. We are headquartered in Las Vegas, Nevada.

As of March 31, 2026, we employed approximately 650 people and remain focused on providing our customers with the best products, best services, and an experiential shopping experience at our superstore-themed dispensary while expanding our products and sales through neighborhood stores. Each of our state operations is held in state-focused subsidiaries: (a) Newtonian Principles, Inc. for California-licensed cannabis dispensing and distribution activities, (b) Next Green Wave, LLC for California-licensed cannabis cultivation and production activities, (c) MM Development Company, Inc. for all licensed Nevada cannabis cultivation, production, distribution, and dispensing, (d) VidaCann LLC. (“**VidaCann**”) which holds our Florida Medical Marijuana Treatment Center (“**MMTC**”) license, and (e) Planet 13 Illinois, LLC (“**Planet 13 Illinois**”) which holds an Illinois social-equity justice impaired dispensing license. We have focused on our large-store dispensing stores as superstores which offer an experiential approach to our customers, including drones, robotics, 3-D mapping projection, cannabis-culture inspired social-media backdrops for customer interaction, customer-facing production, one-on-one sales staffing and customer education, and other interactive marketing elements to differentiate from more traditional dispensing locations, which we refer to herein as “neighborhood stores”. Each of our cannabis facilities is state-licensed as an adult-use cannabis facility, a medical cannabis facility, or a dual-use facility, allowing for both adult-use and medical cannabis licensed activity, as designated below in the state-by-state breakdown.

#### Nevada

As of March 31, 2026, we held the following licensed operations in Nevada: (a) one dual-licensed dispensary superstore adjacent to the Las Vegas Strip with 24,000 square feet of licensed dispensary (the “**Planet 13 Las Vegas Superstore**”), (b) one adult-use “neighborhood store” at 2,300 square feet of licensed dispensary (the “**Medizin dispensary**”), (c) three dual-licensed production facilities, one of which is co-located and customer-facing at the Las Vegas SuperStore Entertainment complex with 18,500 square feet of licensed production, (d) three dual-licensed cultivation facilities, one with approximately 16,100 square foot indoor cultivation facility under perpetual harvest cycle, a second with 45,000 square feet co-located with our production license at that facility, and a small-indoor rural site in Beatty, Nevada that is expandable up to 2,300,000 square feet of greenhouse located on 80-acres owned by us, also co-located with our production license at that facility, and (e) one cannabis distribution license and (f) one cannabis consumption license operating as DAZED! Consumption lounge, a 3,000 square foot location inside the Planet 13 Las Vegas Superstore Entertainment complex. Of the three Nevada cultivation facilities, the Company is currently only utilizing one, the 45,000 sq ft shared use cultivation/production facility, while the other two facilities are dark and reserved for future expansion, or potential sale.

At the Planet 13 Las Vegas Superstore Entertainment complex, we also offer ancillary services to our customers, including a restaurant (currently closed and awaiting a new tenant operator) with a liquor license, a retail store, and our online cannabidiol (“**CBD**”) store which also sells products in our facility.

#### California

As of March 31, 2026, we held the following licenses in California: One dual-use and two adult-use cultivation licenses along with a nursery license and distribution license. The Company has discontinued operations at both its Orange County, California retail store, as well as its Coalinga California cultivation facility, pending transfer of the licenses.

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### [Florida](#)

As of March 31, 2026, we are continuing capital outlays to utilize our Florida MMTC license issued by the Florida Department of Health that was acquired through our acquisition of VidaCann. Licensed MMTCs are vertically integrated and the only businesses in Florida authorized to dispense medical marijuana cannabis to qualified patients and caregivers. MMTCs are authorized to cultivate, process, transport and dispense medical marijuana. As of December 31, 2025 there were 22 companies with MMTC licenses in Florida, many of which are not yet operational. License holders are not subject to restrictions on the number of dispensaries that may be opened or on the number or size of cultivation and processing facilities they may operate. On September 15, 2023, we recorded an impairment charge of \$32,750,466 against our previously acquired Florida MMTC License to reflect the value of the Florida MMTC License as of the date we domesticated to Nevada. We recognized an additional impairment of \$7,197,418, that brought the carrying value of our Florida MMTC License to \$9,000,000, as of December 31, 2023. The amount was equal to the sale price negotiated with a third party who acquired the license from us on May 6, 2024, prior to us closing the acquisition of VidaCann on May 10, 2024. The VidCann acquisition added a cultivation and processing facility, a production facility and a twenty-six (26) retail store network, to which we have added seven (7) additional locations, bringing the total number of medical dispensaries we operate in Florida to thirty three (33)

As part of our Florida expansion, as of the date of this Quarterly Report on Form 10-Q, we have entered into two leases for additional dispensing locations in Florida, which remain subject to completion of tenant improvements and regulatory inspection prior to sales to customers. The first location in Sarasota, is nearing completion of tenant improvements and is expected to be operational in the second quarter of 2026, followed by the second location in St. Petersburg, which will begin construction upon completion of Sarasota.

### [Illinois](#)

On August 5, 2021, Planet 13 Illinois won a Conditional Adult Use Dispensing Organization License in the Chicago-Naperville-Elgin region from the Illinois Department of Financial and Professional Regulation. The conditional license was issued to Planet 13 Illinois on July 22, 2022. At the time the license was awarded, we owned 49% of Planet 13 Illinois and 51% was owned by Frank Cowan.

On August 5, 2022, we entered into an option purchase agreement that gives us the option to purchase 51% of Planet 13 Illinois that it does not already own from Frank Cowan for \$866,250 in cash and 1,063,377 common shares of the Company. The option was exercisable at our discretion for a period of two years.

On October 14, 2022, the Company, through its wholly owned subsidiary Planet 13 Chicago, LLC, entered into a \$2,500,000 real property purchase agreement for a proposed dispensing location in Waukegan, Illinois, for an approximately 8,000 square foot building on 1.9 acres, previously occupied by a financial institution tenant. The Company's obligation to close on the transaction is conditioned upon obtaining local jurisdiction zoning and land-use approvals, completion of customary due diligence, and that the current non-occupying tenant terminate their lease at the property. On November 1, 2022, the Company provided notice of this site selection to the Illinois cannabis regulator.

On February 7, 2023, we exercised and closed our option to purchase Mr. Cowan's 51% interest in Planet 13 Illinois. On February 3, 2023, we closed on the purchase of a dispensary location in the town of Waukegan, a suburb of the greater Chicago area, and on December 4, 2023, opened the Planet 13 Illinois dispensary to the public.

As of March 31, 2026 we operate one Planet 13 branded dispensary in Waukegan, Illinois. The Company has plans to leverage its resources in Illinois by introducing its exclusive line of products through licensing agreements for sale at its retail store and wholesale throughout the State in 2026.

### [Competitive Conditions](#)

The markets in which we operate are highly competitive, with increasing competition from larger, better financed companies, as well as new entrants. Competition has become more intense as competitors offer an increasing number of diversified products and engage in price competition in all markets. Planet 13 is committed to enhancing the customer experience through events, exclusive product offerings, improved pricing and enhancements to its loyalty program to help attract and retain customers in light of this competitive environment.

We expect to continue to focus on several areas, including customer experience, product innovation, production efficiencies, marketing and branding, and ongoing cost control and reductions. The management team constantly monitors ongoing developments in the cannabis and related industries to help us remain competitive. We have been closely tracking the illicit market for cannabis and manufacturers and retailers of intoxicating hemp products as the illicit market also has a direct financial impact on our business.

### [Recent Developments](#)

On April 23, 2026, the U.S. Department of Justice (DOJ) officially moved marijuana from Schedule I to Schedule III of the Controlled Substances Act. This recognizes the drug has accepted medical uses and a lower potential for abuse, a major departure from its previous treatment as a drug with no medical value. The order immediately applies to FDA-approved products and state-licensed medical marijuana. A new expedited administrative hearing process is expected to begin on June 29, 2026, to consider further, broader rescheduling. This shift is expected to provide significant tax relief to state-licensed cannabis businesses, allowing them to deduct business expenses that were previously prohibited under IRS rule 280E. The reclassification aims to ease federal restrictions, enabling more rigorous scientific research and expanding access for patients.

**Results of Operations**

<i>Expressed in USD\$</i>	<b>Three Months Ended</b>		<b>Percentage Change</b>
	<b>March 31, 2026</b>	<b>March 31, 2025</b>	
<b>Revenue</b>			
Net revenue	21,092,230	28,031,807	(24.8)%
Cost of Goods Sold	(11,678,617)	(16,024,302)	(27.1)%
<b>Gross Profit</b>	<b>9,413,613</b>	<b>12,007,505</b>	<b>(21.6)%</b>
<b>Gross Profit Margin %</b>	<b>44.6%</b>	<b>42.8%</b>	
<b>Expenses</b>			
General and Administrative	11,207,427	14,016,688	(20.0)%
Sales and Marketing	1,201,175	1,547,018	(22.4)%
Lease expense	1,212,146	1,304,893	(7.1)%
Depreciation and Amortization	1,469,219	1,751,430	(16.1)%
<b>Total Expenses</b>	<b>15,089,967</b>	<b>18,620,029</b>	<b>(19.0)%</b>
<b>Income (Loss) From Operations</b>	<b>(5,676,354)</b>	<b>(6,612,524)</b>	<b>(14.2)%</b>
<b>Other Income (Expense):</b>			
Interest expense, net	(79,068)	(176,411)	(55.2)%
Foreign exchange gain (loss)	—	(2,889)	(100.0)%
Other income, net	1,843,619	4,978,523	(63.0)%
<b>Total Other Income</b>	<b>1,764,551</b>	<b>4,799,223</b>	<b>(63.2)%</b>
<b>Loss for the period before tax</b>	<b>(3,911,803)</b>	<b>(1,813,301)</b>	<b>115.7%</b>
Provision for income tax (current and deferred)	(4,183,999)	(233,866)	1689.1%
<b>Loss for the period</b>	<b>(8,095,802)</b>	<b>(2,047,167)</b>	<b>295.5%</b>
<b>Loss per share for the period</b>			
Basic and fully diluted income (loss) per share	\$ (0.02)	\$ (0.01)	
<b>Weighted Average Number of Shares Outstanding</b>			
Basic and diluted	327,921,909	325,261,578	

**Three Months Ended March 31, 2026 Compared to the Three Months Ended March 31, 2025***Revenue, net of Discounts*

The Company experienced a decrease in net revenue of \$6,939,577, down 24.8% from \$28,031,807 in the prior year during the three months ended March 31, 2026. The decrease in net revenue was primarily driven by the Company's exit from the California market with the wholesale portion substantially complete at the end of 2025 and the final day of sales at the dispensary on February 10, 2026. California revenue represented approximately almost half of the revenue decline vs prior year. The Company experienced ongoing price compression in all markets driven by additional competition and the persistent impact of the illicit market.

The Company saw a reduction in the number of customers at the Planet 13 Las Vegas Superstore compared to the prior year, and decreases in revenue from both retail operations and wholesale operations in Nevada. In particular, the flower category suffered from intense price compression and oversupply in the market, negatively impacting both retail and wholesale revenue in the period. We believe that a decline in tourism in Las Vegas, combined with an overall reduction in the disposable income of our customers during the three months ended March 31, 2026, had a negative impact on the number of tourists and local customers visiting the Planet 13 Las Vegas Superstore and our other retail locations. The Company is focused on driving customer traffic to the Las Vegas Superstore location with local marketing efforts, partnerships with taxi cab and rideshare drivers and targeting high impact events such as certain concerts, events at the Sphere, and EDC, among others.

Details of net revenue by product category are as follows:

	<b>Three Months Ended</b>		<b>Percentage Change</b>
	<b>March 31, 2026</b>	<b>March 31, 2025</b>	
Flower	\$ 8,246,571	\$ 10,241,007	(19.5)%
Concentrates	7,261,864	8,712,701	(16.7)%
Edibles	3,416,968	4,187,874	(18.4)%
Topicals and Other Revenue	1,246,751	1,488,219	(16.2)%
Wholesale	920,076	3,402,006	(73.0)%
Net revenue	<u>\$ 21,092,230</u>	<u>\$ 28,031,807</u>	<u>(24.8)%</u>

*Gross Profit*

Gross profit margin for the three months ended March 31, 2026 was 44.6% compared to 42.8% for the three months ended March 31, 2025. Overall gross profit was \$9,413,613 and \$12,007,505 for the three months ended March 31, 2026 and 2025 respectively, a decrease of 21.6%.

The increase in gross profit margin percentage for the three months ended March 31, 2026 was the result of several factors including: the exit from California wholesale, the reduction of flower production in Nevada and improvements in third party procurement in Nevada. The Company expects margins to continue to improve from this level going forward from continued efforts in Nevada, as Florida begins to scale and BHO products are introduced.

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### *General and Administrative Expenses*

General and Administrative (“G&A”) expenses (which includes non-cash share-based compensation expenses), decreased by 20% during the three months ended March 31, 2026, when compared to the three months ended March 31, 2025. The decrease in G&A expenses across board was the result of the focused cost cutting initiatives undertaken by the Company during 2025 now showing in the results. Overall, excluding non-cash share-based compensation expenses, G&A expenses as a percentage of revenue equaled 49.8% for the three months ended March 31, 2026, compared to 49.8% for the three months ended March 31, 2025.

A detailed breakdown of G&A expenses is as follows:

	<b>Three Months Ended</b>		<b>Percentage Change</b>
	<b>March 31, 2026</b>	<b>March 31, 2025</b>	
Salaries and wages	\$ 4,402,412	\$ 5,878,604	(25.1)%
Share-based compensation expense	694,263	60,331	1050.8%
Executive compensation	724,870	1,099,940	(34.1)%
Licenses and permits	551,435	702,036	(21.5)%
Payroll taxes and benefits	1,026,757	1,387,489	(26.0)%
Supplies and office expenses	150,651	329,597	(54.3)%
Subcontractors	493,561	635,060	—%
Professional fees (legal, audit and other)	981,456	1,263,506	(22.3)%
Miscellaneous general and administrative expenses	2,182,022	2,660,125	(18.0)%
	<u>\$ 11,207,427</u>	<u>\$ 14,016,688</u>	<u>(20.0)%</u>

Non-cash, share-based compensation of \$694,263 was recognized during the three months ended March 31, 2026, increasing from \$60,331 that was recognized during the three months ended March 31, 2025. The increase is primarily attributable to the 13,673,635 Restricted Share Units (“RSUs”) that were granted on March 31, 2025. These amounts are non-cash, and the expense is recognized in accordance with the vesting schedule of the underlying RSUs. See Note 12 to our audited consolidated financial statements filed with our Annual Report on Form 10-K for the year ended December 31, 2025, for additional details on the assumptions used to calculate fair value as well as information regarding the vesting of the various components of the non-cash share-based compensation.

Sales and marketing expenses decreased by 22.4% or \$345,843 during the three months ended March 31, 2026 compared to the three months ended March 31, 2025. The decrease in marketing expenses was a result of the Company's overall cost reduction efforts, partially offset by the cost of efforts to drive increased customer traffic to the Planet 13 Las Vegas Superstore.

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Lease expense decreased by 7.1% during the three months ended March 31, 2026, when compared to the three months ended March 31, 2025. The decrease in Lease expense is primarily due to the exit from the Orange County, California dispensary, which was completed on February 10, 2026, the exit from administrative office space in Nevada and two unprofitable store locations in Miami Florida.

Depreciation and amortization decreased by 16.1% during the three months ended March 31, 2026, when compared to the three months ended March 31, 2025. The reduction is primarily due to the elimination of depreciation charges as a result of the asset sales in California.

Interest expense of \$79,068 was incurred during the three months ended March 31, 2026, compared to net interest expense of \$176,411 during the three months ended March 31, 2025. The reduction in interest expense when compared to prior year is the result of paying off several higher interest notes by utilizing a low interest revolving line of credit and the settlement of a promissory note secured by a property in Beatty Nevada in December 2025. The interest expense is net of interest earned on a corresponding money market account. The balance of long-term debt as of March 31, 2026, was \$1,249,574 compared to \$1,234,353 as of December 31, 2025.

We conduct our operations primarily in United States dollars and hold all of our currency in US dollars. An insignificant amount of expenses are incurred in Canadian dollars, or Euros. The foreign currency gains/losses reflect fluctuations in the underlying exchange rates on the dates expenses are incurred compared to when they are paid. It is our policy not to hedge our foreign exchange exposure.

Other income/expense, consisting of gains on the sale of fixed assets and other miscellaneous transactions, including Automated Teller Machine (“ATM”) fees, and other income, was income of \$1,843,619 for the three months ended March 31, 2026, compared to other income consisting of ATM fees, and other miscellaneous income of \$4,978,523 for the three months ended March 31, 2025. Other income for the three months ended March 31, 2026 included \$1,520,000 gain on the sale of assets. The prior year other income included the recovery of a property in a legal settlement related to the El Capitan matter valued at \$4,570,227.

Income tax expense for the three months ended March 31, 2026, was \$4,183,999 compared to \$233,866 for the prior year period. The tax expense increased primarily due to estimated penalties and interest related to uncertain tax positions associated with IRC 280E, when compared to the prior year. We are subject to Section 280E of the Internal Revenue Code (the “Code”), which prohibits businesses from taking deductions or credits in carrying on any trade or business consisting of trafficking in certain controlled substances that are prohibited by federal law. We, to the extent our “trafficking” activities, and/or key contract counterparties directly engaged in trafficking in cannabis, have incurred significant tax liabilities from the application of Section 280E. Our income tax obligations under Section 280E of the Code are typically substantially higher as compared to companies to which Section 280E does not apply. Section 280E essentially requires us to pay federal, and as applicable, state income taxes on gross profit, which presents a significant financial burden that increases our net loss and may make it more difficult for us to generate net profit and cash flow from operations in future periods. In addition, to the extent that the application of Section 280E creates a financial burden on contract counterparties, such burdens may impact the ability of such counterparties to make full or timely payment to us, which would also have a material adverse effect on our business.

The overall net loss for the three months ended March 31, 2026, was \$8,095,802 ((\$0.02) per share) compared to an overall net loss of \$2,047,167 ((\$0.01) per share) for the three months ended March 31, 2025.

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### Segmented Disclosure

The Company determined that each of its locations represents an operating segment. These operating segments have been aggregated into a single reportable segment as the Company operates as a vertically integrated cannabis company with dispensary, cultivation, production and distribution operations in the States of Nevada and Florida, dispensary, cultivation and distribution operations in the State of California and dispensary operations in the State of Illinois.

### **Liquidity and Capital Resources**

As of March 31, 2026, our financial instruments consist of cash, deposits, accounts receivable, accounts payable and accrued liabilities, and notes payable. We have no speculative financial instruments, derivatives, forward contracts, or hedges.

As of March 31, 2026, we have working capital of \$16,514,812 compared to working capital of \$26,457,372 as of March 31, 2025. The Company believes that it has adequate liquidity in the form of cash on hand to continue to fund its operations over the next 12 months.

The following table relates to the three months ended March 31, 2026 and 2025:

	<b>Three Months Ended</b>	
	<b>March 31, 2026</b>	March 31, 2025
Cash flows used in operating activities	\$ (172,823)	\$ (5,189,040)
Cash flows provided by investing activities	854,829	(2,691,268)
Cash flows provided by financing activities	-	52,368

### Cash Flows from Operating Activities

Net cash used in operating activities was \$172,823 for the three months ended March 31, 2026, compared to cash used in operating activities of \$5,189,040 for the three months ended March 31, 2025. A significant portion of the increase in cash used in operating activities is directly attributable to the net change in certain working capital items during the three months ended March 31, 2026, when compared to the three months ended March 31, 2025. This was driven primarily by decreases in accounts receivable, inventory and prepaid expense accounts, with an increase to the uncertain tax position account in the three months ended March 31, 2025.

### Cash Flows from Investing Activities

Net cash provided by investing activities was \$854,829 for the three months ended March 31, 2026, compared to net cash used in investing activities of \$2,691,268 for the three months ended March 31, 2025. Funds received in the current period were related to the sale of dispensary assets in Orange County, California, offset by capital expenditures in Florida. Capital expenditures in the prior year period were primarily related to new store buildouts and upgrades to the cultivation facilities in Florida.

### Cash Flows from Financing Activities

Net cash provided by financing activities was \$0 during the three months ended March 31, 2026, compared to net cash provided by financing activities of \$52,368 for the three months ended March 31, 2025. The funds received in the prior period were a \$3,000,000 draw from the revolving line of credit, mostly offset by the payoff of debts related to the VidaCann acquisition.

### Capital Resources

We have a recent history of operating losses. It may be necessary for us to arrange for additional financing to meet our ongoing growth initiatives.

Management believes it will be able to raise equity capital as required in the long term, but recognizes the risks attached thereto. There can be no assurance that it will be able to obtain adequate financing in the future or that the terms of such financing may be favorable.

Should financing not be available, the Company has adequate liquidity in the form of cash on hand and assets for sale to fund all of its planned capital expenditures and expansion plans as well as to continue to fund its operation over the next 12 months, including the planned build-out of its operations in Florida.

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### *Capital Management*

Our capital consists of shareholders' equity. Our objective when managing capital is to maintain adequate levels of funding to support the development of our businesses and maintain the necessary corporate and administrative functions to facilitate these activities. This is done primarily through equity financing. Future financings are dependent on market conditions and there can be no assurance we will be able to raise funds in the future. We invest all capital that is surplus to our immediate operational needs in short-term, highly liquid, and high-grade financial instruments. There were no changes to our approach to capital management during the period. We are not subject to externally imposed capital requirements.

### **Off-Balance Sheet Arrangements**

We have no off-balance sheet arrangements as of March 31, 2026, or as of the date hereof.

### **Critical Accounting Estimates**

The preparation of consolidated financial statements in conformity with GAAP requires our management to make judgements, estimates and assumptions about future events that affect the amounts reported in the consolidated financial statements. Although these estimates are based on management's best knowledge of the amounts, events or actions, actual results may differ from those estimates. Estimates and judgements are continuously evaluated and are based on management's experience and other factors, including expectations of future events that are believed to be reasonable.

Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

There have been no material changes to our critical accounting estimates as set forth in Part II, Item 7 of our Annual Report on Form 10-K for the year ended December 31, 2025.

### **Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

There have been no material changes to our market risk disclosures as set forth in Part II, Item 7A of our Annual Report on Form 10-K for the year ended December 31, 2025.

### **Item 4. Controls and Procedures**

#### **Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures**

Our management, with the participation of our Co-Chief Executive Officers and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act. Based on that evaluation as of March 31, 2026, our Co-Chief Executive Officers and Chief Financial Officer concluded that our Company's disclosure controls and procedures were effective.

#### **Changes in Internal Control over Financial Reporting**

There were no changes in our internal control over financial reporting identified in connection with the evaluation required by Rule 13a-15(d) and 15d-15(d) of the Exchange Act that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

#### **Inherent Limitations on Effectiveness of Controls**

In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, cannot provide absolute assurance of achieving the desired control objectives. Our management recognizes that any control system, no matter how well designed and operated, is based upon certain judgments and assumptions and cannot provide absolute assurance that its objectives will be met. Similarly, an evaluation of controls cannot provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, have been detected.