



**Trulieve Cannabis Corp.**

**Annual Information Form**

**For the year ended December 31, 2017**

Dated October 9, 2018

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## DATE, CURRENCY AND OTHER INFORMATION

In this annual information form ("**AIF**" or "**Annual Information Form**"), unless the context otherwise requires, the "**Corporation**" or "**Trulieve**" refers to Trulieve Cannabis Corp. together with its wholly-owned subsidiary, Trulieve, Inc. References to "Schyan" refer to the Corporation prior to completion of the Transaction (as defined herein).

This AIF applies to the business activities and operations of the Corporation for the year ended December 31, 2017, as updated to October 9, 2018 to reflect completion of the Transaction on September 21, 2018. Unless otherwise indicated, the information in this AIF is given as of the date hereof.

Unless otherwise indicated, all references to "\$" or "US\$" in this AIF refer to United States dollars and all references to "C\$" in this AIF refer to Canadian dollars.

This AIF includes market and industry data that has been obtained from third party sources, including industry publications. Trulieve believes that the industry data is accurate and that its estimates and assumptions are reasonable, but there can be no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, Trulieve has not independently verified any of the data from third-party sources referred to in this AIF or ascertained the underlying economic assumptions relied upon by such sources.

## CAUTIONARY STATEMENT REGARDING FORWARD LOOKING INFORMATION

The information provided in this Annual Information Form ("**AIF**"), including information incorporated by reference, may contain "forward-looking statements" about the Corporation. In addition, the Corporation may make or approve certain statements in future filings with Canadian securities regulatory authorities, in press releases, or in oral or written presentations by representatives of the Corporation that are not statements of historical fact and may also constitute forward-looking statements. All statements, other than statements of historical fact, made by the Corporation that address activities, events or developments that the Corporation expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or comparable words.

Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on the then current expectations of the party making the statement and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to:

- (a) the performance of Trulieve's business and operations;
- (b) the intention to grow the business and operations of Trulieve;
- (c) expectations with respect to the renewal and/or extension of Trulieve's licenses;
- (d) expectations of market size and growth in the United States and the State of Florida;
- (e) the competitive conditions of the industry, the applicable laws, regulations and any amendments thereof;
- (f) the competitive and business strategies of Trulieve;

- (g) Trulieve's operations in the United States, the characterization and consequences of those operations under federal law, and the framework for the enforcement of medical and recreational cannabis and cannabis-related offenses in the United States;
- (h) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and
- (i) other risks described in this AIF and described from time to time in documents filed by the Corporation with Canadian securities regulatory authorities.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including, but not limited to, with respect to expectations and assumptions concerning: (i) receipt and/or maintenance of required licenses and third party consents; and (iii) the success of the operations of the Corporation. Although the Corporation believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements, because no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. These include, but are not limited to: the dependence on management and directors; risks relating to the receipt of the required licenses, risks relating to laws and regulations applicable to the production and sale of cannabis; and other factors beyond Trulieve's control, as more particularly described under the heading "*Risk Factors*" in this AIF. Consequently, all forward-looking statements made in this AIF are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Corporation. The cautionary statements contained or referred to in this AIF should be considered in connection with any subsequent written or oral forward-looking statements that the Corporation and/or persons acting on its behalf may issue. Trulieve does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, other than as required by law.

## **CORPORATE STRUCTURE**

### **Name, Address and Incorporation**

The Corporation was incorporated under the *Business Corporations Act* (Ontario) on September 17, 1940. Since 2008, the Corporation changed its name from "Bandolac Mining Company" to "Schyan Exploration Inc. / Exploration Schyan Inc." on October 29, 2008.

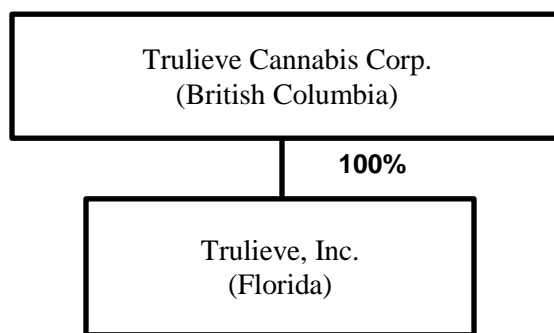
On September 19, 2018 and subsequent to its most recently completed financial year, the Corporation filed Articles of Amendment to effect the name change from "Schyan Exploration Inc. / Exploration Schyan Inc." to "Trulieve Cannabis Corp."

The registered office of the Corporation is located at 2800 Park Place, 666 Burrard Street, Vancouver, British Columbia, V6C 2Z7. The head office is located at 6749 Ben Bostic Road, Quincy, Florida, 32351.

Trulieve Cannabis Corp. is a reporting issuer listed for trading on the CSE in the Province of Ontario. See *Description of the Business – Recent Developments*.

### **Inter-corporate Relationships**

The diagram immediately below presents the subsidiaries of the Corporation as of the date of this AIF, reflecting completion of the Transaction.



## GENERAL DEVELOPMENT OF THE BUSINESS

### Recent Developments

The Corporation (formerly Schyan) had no active business operations leading up to completion of the Transaction. In connection with the Transaction, the Corporation disposed of a mineral exploration property eight kilometers north east of the town of Cadillac, Quebec.

Following the most recently completed financial year and taking into account the Transaction, the Corporation has continued the business of Trulieve, Inc.

#### *The Transaction*

On September 11, 2018, Trulieve, Inc., Schyan Sub, Inc., a wholly-owned subsidiary of the Corporation formed to complete the Transaction (“**Subco**”), and the Corporation entered into a merger agreement to effect a reverse merger under Florida law whereby Trulieve, Inc. and Subco merged, Trulieve, Inc. became a wholly-owned subsidiary of the Corporation.

At the annual and special meeting of the Schyan shareholders held on August 15, 2018 and in connection with the Transaction, the Corporation received approval to continue into the jurisdiction of British Columbia. The Corporation filed articles of continuance pursuant to the *Business Corporations Act* (British Columbia) and completed the continuance on September 19, 2018 (the “**Continuance**”). The Corporation filed articles of amendment on September 19, 2018 for the amendment to the articles of the Corporation providing for the re-designation of the common shares of the Corporation as subordinate voting shares (“**Subordinate Voting Shares**”) and to create a class of multiple voting shares (“**Multiple Voting Shares**”) and super voting shares (“**Super Voting Shares**”) on completion of the Transaction. The Corporation filed articles of amendment on September 19, 2018 to complete the name change of the Corporation to “Trulieve Cannabis Corp.” in connection with the Transaction.

In connection with the Transaction, the Corporation consolidated its existing common shares on the basis of one Subordinate Voting Share for each 80.94486 existing common shares of the Corporation.

Prior to the Transaction, Trulieve, Inc. completed a brokered and a non-brokered subscription receipt financing (the “**SR Offering**”) at a price of C\$6.00 per subscription receipt for aggregate gross proceeds of approximately C\$65 million. The brokered portion of the SR Offering was co-led by Canaccord Genuity Corp. and GMP Securities L.P.

Holders of the subscription receipts that participated in the SR Offering on a non-brokered basis and whom were residents of the United States agreed to exchange the Subordinate Voting Shares issued to such holders on exercise of the subscription receipts for Multiple Voting Shares on the basis of one Multiple Voting Share for each 100 Subordinate Voting Shares to assist the Corporation in its efforts

to maintain its status as a “foreign private issuer” (as determined in accordance with Rule 3b-4 under the Exchange Act) on closing of the Transaction.

In connection with the Transaction and pursuant to the SR Offering, a total of 7,554,050 Subordinate Voting Share, 170,102.50 Multiple Voting Shares and 852,466 Super Voting Shares were issued and outstanding after completion of the Transaction, including Subordinate Voting Shares and Multiple Voting Shares issued to former holders of the subscription receipts issued in the SR Offering. Each Super Voting Share is convertible into Multiple Voting Shares at the option of the holder or upon certain triggering events. Each Multiple Voting Share, including those issued upon conversion of the Super Voting Shares, is convertible into 100 Subordinate Voting Shares at the option of the holder or upon certain triggering events.

The Subordinate Voting Shares began trading on the Canadian Securities Exchange (the “CSE”) on September 25, 2018 under the symbol “TRUL”.

### Three-Year History

Trulieve, Inc. was incorporated as a Georgia Corporation under the name “George Hackney, Inc.” on January 25, 1990. On June 11, 2018, Trulieve, Inc. re-domesticated to Florida with the Florida Division of Corporations pursuant to Florida Statute 607.1801. On July 18, 2018, Trulieve, Inc. changed its name to “Trulieve, Inc.” On August 27, 2018, Trulieve, Inc. increased its authorized share capital to 25,000,000 shares of common stock and 20,000 shares of preferred stock with a par value of \$0.001 per share. On September 11, 2018, Trulieve, Inc. approved a reclassification of the issued and outstanding share capital of Trulieve, Inc. whereby each issued and outstanding share of common stock was split and became 150 shares of common stock such that there were 986,835 shares of common stock of Trulieve, Inc. issued and outstanding prior to the closing of the Transaction.

Trulieve, Inc. has been registered as a nursery in the State of Florida since June 2, 1981. On November 23, 2015, Trulieve, Inc. was awarded a license to operate in the State of Florida as a Medical Marijuana Dispensing Organization. Trulieve, Inc. filed a fictitious name with the Florida Division of Corporations for the name “Trulieve” on March 20, 2016 and changed its name to “Trulieve, Inc.” on July 18, 2018. Pursuant to current law, Trulieve, Inc. is now considered a Medical Marijuana Treatment Center (“MMTC”) in the State of Florida.

Trulieve is licensed to produce and sell medical cannabis in the State of Florida through the Florida Department of Health, Office of Medical Marijuana Use (the “Department”). The Department issued a license to Trulieve, Inc. (the “License”) on November 23, 2015.

### Financing Activities

In April 2016, Trulieve, Inc. issued a \$1,000,000 promissory note (the “2016 Note”) to George Hackney, a director and shareholder of the Corporation, to finance the acquisition of certain tradename and professional reputation necessary to obtain its initial medical cannabis licenses. The 2016 Note matures in April 2026 and bears interest at an annual rate of 8%. During 2017, \$448,391 principal amount of the 2016 Note was converted into 328.90 shares of common stock of Trulieve, Inc. with a fair value of \$1,216,930 which resulted in an additional loss on settlement of \$768,639. The remaining balance of the 2016 Note plus accrued interest was repaid in April 2018.

In April 2016, Trulieve, Inc. issued a \$5,000,000 convertible note (the “CTC Note”) to Coast to Coast Management LLC (“C2C”), an entity controlled by a member of management and a shareholder of the Corporation. During the year ended December 31, 2017, Trulieve, Inc. and C2C determined that \$375,000 of the principal amount of the CTC Note was a license fee and such amount was recognized as revenue by Trulieve, Inc. The remaining principal amount of the CTC Note was converted into 1,250 shares of common stock of Trulieve, Inc. in November, 2017.

During the years ended December 31, 2016 and 2017, Trulieve, Inc. entered into various lines of credit with C2C and other entities controlled by members of management and shareholders of the

Corporation to finance the buildout of various dispensary locations. Each line of credit bears 8% annual interest and, depending on the amount, matures between one to three years from initial drawdown. As at June 30, 2018, an aggregate of \$2,404,963.93 remains outstanding under these lines of credit.

In April 2017, Trulieve, Inc. issued a \$3,999,999 promissory note to Shelter Rock Capital Advisors, LLC (the “**Shelter Rock Note**”). The Shelter Rock Note matures in January 2019 and bears interest at an annual rate of 12%. Benjamin Atkins, a directors of the Corporation, provided a guarantee of the Shelter Rock Note and, in consideration for such guarantee, Trulieve, Inc. granted a mortgage in the amount of \$3,999,999 in favour of Mr. Atkins.

In September 2017, Trulieve, Inc. issued a \$1,300,000 promissory note to a shareholder of the Corporation (the “**Beshears Note**”). The Beshears Note matures in January 2018 and bears interest at an annual rate of 12%. The Beshears Note was rolled into a subsequent financing and exchanged for the Clearwater GPC, Traunch 4 and Rivers Notes.

In November 2017, Trulieve, Inc. issued a \$1,844,596 promissory note to Inkbridge, LLC (the “**Inkbridge Note**”), an entity controlled by the Corporation’s Chief Executive Officer. The Inkbridge Note bears interest at an annual rate of 12% and matures in November, 2019. The Inkbridge Note was rolled into a subsequent financing and exchanged for the Clearwater GPC, Traunch 4 and Rivers Notes.

In December 2017, Trulieve issued a \$2,000,000 promissory note (the “**Vandagraff Note**”) to Vandagraff One, LLC pursuant to the terms of a loan and security agreement dated as of December 7, 2017. The Vandagraff Note bears interest at an annual rate of 12% and matures in December, 2019.

In January, 2018, Trulieve issued a \$6,000,000 promissory note (the “**Track V Note**”) to Track V, LLC pursuant to the terms of a loan and security agreement dated as of January 11, 2018. The Track V Note matures in January, 2020 and bears interest at an annual rate of 12%. Trulieve is to make monthly interest payments to the lender and all outstanding principal and any unpaid accrued interest is due and payable, in full, on maturity. If Trulieve, Inc. lists its securities on a foreign or domestic exchange, the Track V Note is to become due and payable within 90 days of such listing. In connection with the Track V Note financing, shareholders of Trulieve, Inc. agreed to dilute their share ownership by 1% and to transfer shares of common stock of Trulieve, Inc. to certain individuals representing the holder of the Track V Note as a cost of raising the funds.

In March, April and May 2018, Trulieve, Inc. issued three separate promissory notes (the “**Clearwater GPC, Traunch 4 and Rivers Notes**”) in an aggregate principal amount of \$18,000,000. Each of the Clearwater GPC, Traunch 4 and Rivers Notes has a 24 month maturity and bears interest at a rate of 12% per annum. In connection with the Clearwater GPC, Traunch 4 and Rivers Note financing, shareholders of Trulieve, Inc. agreed to dilute their share ownership by 3.0% (1% respectively, per Clearwater, GPC, Traunch 4 and Rivers Note) and to transfer shares of common stock of Trulieve, Inc. to certain individuals representing the holders of the Clearwater GPC, Traunch 4 and Rivers Notes as a cost of raising the funds.

Following closing of the Transaction, the Corporation repaid the Track V Notes and the Clearwater GPC Note.

## DESCRIPTION OF THE BUSINESS

### General

The Corporation is a vertically integrated “seed to sale” company and is the first and largest fully licensed medical marijuana company in the State of Florida. The Corporation cultivates and produces all of its products in-house and distributes those products to Trulieve branded stores (dispensaries) throughout the State of Florida, as well as directly to patients via home delivery.

The Corporation operates approximately 507,100 square feet of total cultivation facilities with an estimated 125,068 square feet to be added in 2018. Potencies range from 18% to 32% THCA on THC producing varieties and 8% to 15% CBDA on CBD producing varieties.

The Corporation operates a GMP certified processing facility and has an estimated 55,000 square feet processing facility currently under construction which is expected to be completed in 2018. The Corporation produces over 125 different SKUs, including nasal sprays, capsules, concentrates, syringes, cannabis flower in tamper-proof containers for vaporizers (in compliance with Florida law), topical creams, tinctures and vape cartridges.

The Corporation has 93,882 unique customers as of October 7, 2018 and distributes its products to these customers in Trulieve branded retail stores or home delivery. The Corporation currently operates 18 stores throughout the State of Florida and initiated Florida's first next-day, state-wide delivery program. Patients are further served by a Clearwater-based call center which receives up to 2,000 calls per day.

### **Summary Of Operating Businesses**

The Corporation is a vertically-integrated company in a highly-regulated market with cultivation, processing, and distribution activities. The Corporation has developed proficiencies in each of these functions and is committed to utilizing predictive analytics which inform the Corporation in the areas of sales trends, patient demographics, new product launch criteria and capacity requirements and create the foundation upon which the Corporation has built sustainable, profitable growth.

Ownership of the entire supply chain mitigates potential third-party risks and allows the Corporation to completely control the quality of the product and the brand experience resulting in high patient retention and repeat customers. The Corporation successfully operates at scale the core business functions of cultivation, production and distribution. The Trulieve brand philosophy of patients permeates the Corporation's culture from the cultivation and production operations to the call center and into the stores.

#### *Data Utilization to create Predictive Analytics*

The Corporation collects and analyzes data throughout the entire seed to sale process of the enterprise. All strategic and tactical business decisions are driven by historical data coupled with predictive analytics to ensure the best possible solution is formulated and executed. Data collection systems are cloud based and backed up to ensure the utmost security and integrity of data repositories.

In its cultivation activities, the Corporation uses data analytics to record, monitor, communicate and optimize the yield potential of each harvest of cannabis by strain. Daily logs are recorded on a cloud-hosted database to capture such metrics as nutrient application, temperature, humidity, CO2 levels, light intensity, light duration, grow medium pH and grow medium Electro-Conductivity (EC) at various locations within each growing room. The Corporation considers these data sets as the harvest vitals that are continuously monitored to ensure peak performance of each strain maintained by the Corporation. At harvest, the cultivation log is paired with the room's daily log and analyzed against previous harvests of the same strain in an effort to ensure consistency of products.

All strain weights and potencies are recorded by batch and stored in the database. The Corporation uses this data to predict future yields and planning of future crop rotations to meet patient demands. The predictive analysis is completed in an effort to ensure the Corporation operates in an efficient manner to maximize the harvest output to cost ratio.

The Corporation also uses data analytics throughout the entire manufacturing process to monitor progress real-time, in an effort to ensure quality is maintained at the highest level and analyzed to maximize lean flow efficiency. Consistency is paramount to the Corporation and tracking of the recorded data assists in ensuring uniformity for all products shipped.



Once the Corporation's products are in Trulieve stores, each sales transaction is recorded, including details regarding patient demographics and product selection. The reports derived from the recorded information allows Trulieve to track and analyze, by retail location, sales trends, grams dispensed, products sold by subcategory, patient demographics and purchasing habits. The Corporation uses this data for regression and predictive analysis, for cultivation crop planning, final derivative product production planning and patient marketing. The data is also key in planning future cultivation, processing and retail expansion projects through the analysis of sales trends and patient purchasing habits, coupled with other outside data collection activities.

#### *High-Yield Cultivation Facilities and Techniques*

The Corporation transforms raw cannabis flower into the Trulieve portfolio of products sold in Trulieve stores. With a focus on scalable operations, the Corporation has detailed Standard Operating Procedures as well as robust training protocols across its cultivation facilities to grow a consistent, high quality product.

The Corporation currently operates 507,100 square feet of cultivation facilities across three sites. Per Florida law, the Corporation grows in enclosed structures operating both indoor and greenhouse style grows. The Corporation currently has the ability to grow 19,429 kg of cannabis annually. The Corporation has an additional 125,068 square feet of cultivation capacity under construction which the Corporation anticipates will be completed by December 31, 2018. Upon completion, the Corporation will have an additional 10,215 kg per year of capacity, for a total cultivation capacity of 29,644 kg per year. In addition, The Corporation is working to rapidly and substantially increase its greenhouse capacity. The ability to quickly execute and operate high-yield, scaled cultivation operations is critical in Florida as well as other vertical markets. The Corporation grows a variety of 45 cannabis flower strains and is poised for expansion if the State allows flower products for smoking. Continuing the Trulieve philosophy of standing behind the products the Corporation sells, the Corporation utilizes a third-party company to certify the genetic composition of each strain of cannabis the Corporation produces and provides the certified reports to patients and physicians.

#### *Scaled, Quality Production*

As a vertically-integrated company the Corporation produces 100% of the products sold in Trulieve stores. Currently, the Corporation extracts approximately 30,000 grams of active THC or CBD per week (depending on the product requirements) and manufactures (on average) 45,000 products for sale each week. The Corporation has successfully obtained Good Manufacturing Practices ("GMP") certification for its production facilities and has detailed Standard Operating Procedures and Quality Control measures in place in an effort to ensure quality products are delivered to the Corporation's patients.

The Corporation primarily utilizes super critical ethanol extraction systems and techniques for the majority of its products. The Corporation recently installed a carbon dioxide system and has launched new products utilizing this technology. The Corporation has purchased and is renovating a 55,000 square foot building to relocate its production and shipping activities, as well as to house a state of the art kitchen and hydrocarbon extraction facility in anticipation of edible and hydrocarbon cannabis products being permitted for sale by Florida regulators. It is anticipated this building will be complete in 2018.

Currently the Corporation manufactures, assembles, packages and ships products in a variety of market segments with over 80 SKUs. These product segments are as follows:

- Inhalation – 250 mg, 600 mg vape cartridges, 400 mg CO<sub>2</sub> vape cartridges with cannabis derived terpenes, 1:1:1 375mg vape cartridge with Delta 8 THC and Trulieve engineered flower containers for vaporization
- Oral – 10 mg and 50 mg capsules
- Sublingual – 500 mg CBD and 1:1 ratio tinctures

- Topical – 250 mg Lotion, Sunscreen and Muscle Rub product
- Inter-nasal – licensed inter-nasal spray product
- Concentrates – 800 mg TruPods and 850 mg TruClear and TruShatter concentrate products

Quality is paramount to the Corporation and its patients. The Corporation has a robust quality control department with dedicated quality trained specialists to perform in-line and end product inspections. All quality issues are reported, logged and investigated to inform process improvements. In addition, the Corporation has on-site testing capabilities via its state of the art laboratory. The Corporation tests all final batches of products to ensure compliance with State and internal quality standards. The Corporation also utilizes an independent third-party lab to test every batch of its products. Although not a state requirement, the Corporation's goal is to ensure a safe product and transparency with patients regarding Trulieve products. The Corporation has third party testing completed for the following items: potency, terpene profile, pesticides, microbials, mycotoxins, heavy metals and residual solvents. These reports are available on the Trulieve website for patients or physicians to access. With a historical product return rate of less than 2%, the Corporation has worked to achieve high patient satisfaction with the Corporation's products.

### *Marketing and Community Outreach*

The Corporation's marketing strategies center around education and outreach to three main customer categories: physicians, patients and potential patients.

Physicians are a critical component in the Corporation's success to date. The Corporation provides industry leading education, outreach and support to all registered Florida medical cannabis physicians. The Corporation's educational materials are designed to help physicians understand the science behind cannabis, how the Corporation's plants are cultivated with the highest standards and the Corporation's products are created to provide relief to the physician's patients. The Corporation creates educational tools in both print and digital form in an effort to allow for quick implementation of new information and ease of access for busy physicians. The Corporation's dedicated physician education team delivers in-person outreach on a consistent basis, as well as immediate phone support through a physician education team member in the Trulieve call center.

Patients learn about Trulieve through the success of the Corporation's physician education program as well as many patient-centric community activities. The Corporation participates in dozens of patient outreach and community events on a monthly basis. An engaged patient audience is captured through the Corporation's digital content marketing, which includes e-mail, website, a mobile application, social media and mainstream industry websites.

Potential patients are not forgotten through the Corporation's marketing strategies. The Corporation also attends many events focused on educating non-patients who may benefit such as veterans, seniors, condition specific organizations and general health and wellness events. The media is a great asset to the Corporation's marketing plan and has helped the Corporation organically teach the State of Florida about Trulieve. The Corporation utilizes press releases to cover important information and reach a large audience. Search engine optimization of the Corporation's website also captures potential patients in the research phase of their journey. The Corporation's easy to use "Find a Doctor" tool and the question and answer section of the Corporation's website have been designed to help individuals become Trulieve patients.

### *Patient Focused Experiences*

It is the Corporation's goal to create enthusiastic patients loyal to the Trulieve brand and, in return, to provide these patients a superior level of customer service and product selection. The Corporation accomplishes this goal through several key strategies:

- Training the Corporation's employees to focus on the patient experience and the delivery of

- exceptional service
- Measuring customer service success
- Creating positive patient experiences through the consistent design of Trulieve dispensaries
- Giving patients multiple methods by which to order products, including home delivery, to ensure a convenient solution for the Corporation's patients
- Creating and executing the Trulievers Loyalty Program with high adoption and engagement with patients via various channels
- Continuous product innovation thru research and development activities

### *Training*

The Trulieve patient experience is an area of high-focus for the Corporation. The Corporation employs a number of training protocols and systems in an effort to ensure the patient experience is a positive one across all Trulieve branded locations and with each interaction with an employee of the Corporation. The Corporation utilizes technology with online-based training modules to effectively communicate updates to company policies, as well as regulatory changes and new product launches to ensure every Trulieve employee receives a consistent message simultaneously. With a robust and consistently updated catalogue of training modules, newly hired employees are assigned a training platform based on the employee's position at the Corporation. Managers track completion and competency within the training system and also have the ability to re-assign modules or require additional training in areas where further work is required. In addition to online training, Trulieve managers employ on-the-job training sessions with employees centered around relevant topics determined by managers and regional managers weekly.

### *Measuring Success*

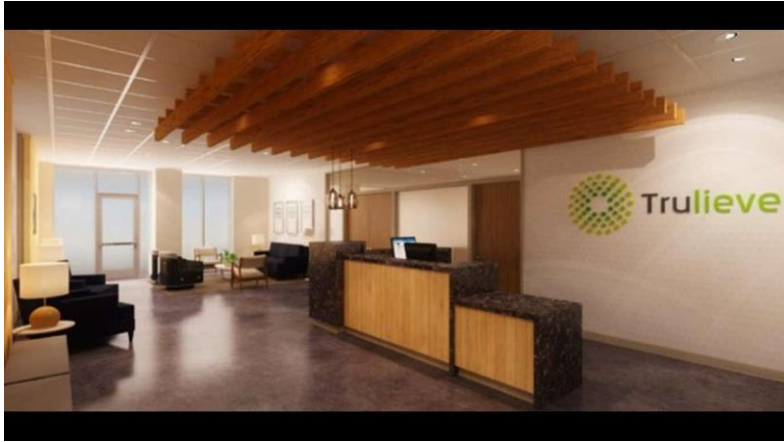
Training must be followed up with measured success protocols. In the Trulieve Call Center, technology allows the Corporation to monitor its service level activity percentage (80%+) in an effort to ensure all calls are answered and serviced in an efficient manner. The Corporation calculates patient's time spent in store in an effort to decrease wait times and maintain a high level of capacity. To assess the Corporation's success in providing a positive experience, the Corporation monitors and respond to patient reviews on multiple platforms, receives shopper surveys monthly and sends out direct patient and physician satisfaction surveys on a regular basis.

### *Branded Store Experiences*

The Trulieve patient experience is further enhanced at Trulieve dispensaries with a consistent atmosphere in every Trulieve store. Brand and development guidelines have been implemented in an effort to ensure each store utilizes the same design, color scheme and layout and provides a consistent, comfortable, welcoming environment. Light, bright lobbies are outfitted with comfortable seating in the waiting areas. Each Trulieve dispensary features a private patient consultation area where private education sessions regarding the Corporation's products or general medical cannabis questions can occur. The products are dispensed thru a secure door which opens into open display areas where the Corporation's products are displayed and product menu boards list products and pricing. Patient consultants are available to answer questions about the products and pull products for patients for sale. Point of Sale systems tie into the State registry to seamlessly complete transactions. Each Trulieve store is designed for high throughput. On the highest single sales day to date, approximately 4,180 patients were served in 17 Trulieve locations. On average, approximately 2,078 patients are served in the Corporation's stores daily.



Exterior of Trulieve location in Tampa, Florida



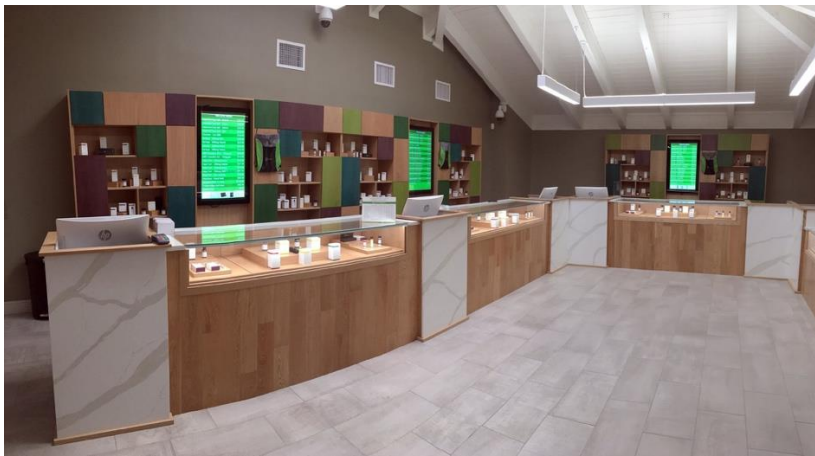
Representative Trulieve store lobby and waiting area



Representative Trulieve store private consultation room graphic



Trulieve store showrooms



### *Multiple Channels Of Distribution*

As a medical cannabis provider in Florida, the Corporation believes it is important to meet its patients where they are, whether it be home-bound due to a specific illness, limited in time due to a busy schedule or new patients requiring a personal, face to face consultation. To meet patient needs, the Corporation provides patients with several different purchase options. The Corporation's patients can order products for delivery on-line or by calling the Trulieve Call Center. The Corporation fully-staffed call center fields (on average) 2,000 calls per day answering patient questions and facilitating patient orders. The Corporation offers next day delivery service in most areas of Florida. In addition to delivery, the Corporation's patients can also place orders for in-store pick-up either online or via the Trulieve Call Center. Finally, patients are able to walk-in to any Trulieve dispensary location and place an order in person. The Corporation has patient consultants available in each of its stores to answer any questions and to offer in-depth consultations for new or returning patients.

### *Loyalty Program And Communication Platforms*

The Truliever program was created as a patient-based loyalty program whereby the Corporation's

patients earn points for dollars spent, with a discount at pre-determined point values. Trulievers are notified first with special discounts or limited release product offerings, and also have access to Truliever-only promotions and events. The Corporation communicates with patients and physicians through a variety of methods including e-mail, text messaging, social media and online chat. Trulieve e-mails have historically had an average of 50% open rate and approximately 70% of the Corporation's patients have opted-in to the Trulieve text message feature to date. The Corporation's Facebook page has over 50,000 followers. The Corporation's patients also engage with the Trulieve brand via the Trulieve Instagram and Twitter platforms.

### *Research And Development*

The Corporation's commitment to patients extends to the variety and quality of the Corporation's products. The Corporation has a dedicated research and development team focused on technology innovations and product development. The Corporation's research and development team evaluates new technologies and performs rigorous testing prior to recommending the introduction of new products into production. The team is charged with product development and works to keep the Corporation's products current and relevant in the fast-paced cannabis industry while setting the pace for cutting-edge products.

The Corporation's patient-centric approach has led to a highly loyal and repeat patient base. The Corporation dispenses (on average) 70% of all milligrams of cannabis dispensed in Florida per the Department as of July 27, 2018. By comparison, the next closest competitor in Florida dispenses (on average) 11% of dispensed cannabis milligrams.

### *Competitive Conditions and Position*

The Corporation is the first-mover in Florida as the first company to complete a sale of medical cannabis, the first company to open a dispensary and the first company to make a delivery of medical cannabis to a patient's home. Thirteen of the Corporation's 18 stores were the first cannabis dispensaries to open in their respective locations. The Corporation is the clear market leader selling the majority of all milligrams sold in Florida week over week. By comparison, the Corporation's next closest competitor in Florida dispenses, on average, 11% of dispensed milligrams of cannabis.

The following chart provides a summary of the principal medical cannabis companies operating in Florida as at the date of this AIF, the number of locations of such companies, whether such companies deliver their products to their patients and the types of products sold.

### *Business Objectives of the Corporation*

The Corporation will continue to focus on rapid growth of cultivation and production facilities as well as retail stores in Florida while also moving into other states to expand the reach of the Trulieve brand.

The Corporation will continue to execute on the Corporation's established business plan of being the clear market leader in the State of Florida, which includes the continued operation of the Corporation's existing business and, importantly, executing on the Corporation's growth plans which are comprised of three key strategies:

- *Expand Current Cultivation and Production Operations:* The Corporation will continue to scale cultivation and production operations as justified by supply-demand market dynamics.
- *Expand Current Market Retail Footprint:* The Corporation will continue to scale retail footprint in Florida.
- *New Market Expansion:* The Corporation will identify new markets that support the Corporation's business model.

In the next 12 months, the Corporation expects to:

1. Expand Current Market Cultivation and Production Operations

The Corporation is proposing to complete the build-out of the Corporation's indoor and greenhouse cultivation facilities in Quincy, Florida. This expansion is under construction currently, with the next phase expected to be scheduled for inspection by the Department within 90 days.

In addition, the Corporation intends to complete the build-out of the Corporation's indoor cultivation facility in Central Florida. This facility is under construction currently, and will be scheduled for inspection by the Department within the next 120 days.

Last, the Corporation is proposing to complete the build-out of the Corporation's production facility in Midway, Florida. This facility is under construction currently, and will be scheduled for inspection by the Department within the next 90 days.

2. Expand Current Market Retail Footprint

In the next 12 months, the Corporation is proposing to open the following additional Trulieve locations in Florida:

<b>NAME</b>	<b>REGION</b>
<b>Venice</b>	Southwest
<b>Dania Beach</b>	Southeast
<b>West Palm</b>	Southeast
<b>Miami Beach</b>	Southeast
<b>Broward</b>	Southeast
<b>Lakeland</b>	Central
<b>Miami Gardens</b>	Southeast
<b>Orlando</b>	Central
<b>Deerfield Beach</b>	Southeast
<b>Sarasota</b>	Southwest
<b>St Augustine</b>	Northeast



<b>Melbourne</b>	Central
<b>Ft Lauderdale</b>	Southeast
<b>Clearwater Hwy 19</b>	Central

### 3. New Market Expansion

The Corporation's goal is to successfully identify and acquire at least one retail and accompanying production facility outside the State of Florida on or before December 31, 2019. The Corporation is focused on acquiring locations that will enable the Corporation to bring Trulieve-branded products to Trulieve-branded stores in an effort to further expand the reach of the Trulieve brand.

The Corporation is budgeting \$48 million for expenses related to capital expenditures, regulatory fees, working capital and professional fees over the next 12 months.

#### *Significant Events or Milestones*

In order to successfully reach the Corporation's goals regarding the construction of new facilities for the cultivation, production and sale of the Corporation's products, the Corporation must complete all construction on time and within the budget created for each facility. In addition, associated personnel must be located, hired and trained. All permits and other regulatory approvals must also be obtained by the Corporation in a timely fashion.

There are six additional dispensaries schedule to open before December 31, 2018 at a cost of \$1,047,949. In addition, another eight locations are scheduled to open before December 31, 2019 at a cost of \$3,338,932. Cultivation and manufacturing expansion is currently underway with a projected spend of \$15,505,800 by December 31, 2018 and \$13,807,000 during 2019. The accomplishment of the proposed dispensary, cultivation and processing expansion are significant milestones to the Resulting Issuer accomplishing its revenue goals.

<b>Business Segment</b>	<b>To Open By December 31, 2018</b>	<b>Projected Cost</b>	<b>To Open By December 31, 2019</b>	<b>Projected Cost</b>	<b>Acquisitions</b>
<b>Dispensaries</b>	6	\$1,047,949	8	\$3,338,932	\$15,000,000
<b>Cultivation / MFC</b>	N/A	\$10,805,800	N/A	\$13,807,000	N/A

The Corporation must also continue to execute on its existing business model. As further described below, it is anticipated that \$2.5 million per month of the costs associated with the construction of new facilities will be funded from the Corporation's balance sheet. Material market changes or delayed store openings that impact the Corporation's revenue would require additional capital to meet the Corporation's goals regarding new facilities in the next 12 months.

Finally, the Corporation must successfully identify and negotiate acquisitions in additional markets within the identified timeline. Successful hiring and training of personnel and execution of the Corporation's plans through the launch of each new market will be key to the Corporation's success, as will the successful navigation of any market-specific regulatory requirements encountered by the Corporation in these new markets. See *Risk Factors*.



## Principal Products or Services

As a vertically-licensed medical cannabis provider, the Corporation distributes its products using a variety of distribution channels, including sales through the Corporation's network of retail locations and direct delivery. Patients are able to place orders online as well as by phone for delivery or in store pick-up. In addition, patients can walk into any Trulieve location and purchase the Corporation's products.

The Corporation's principal market is the state of Florida and, as the largest medical cannabis company in Florida, the Corporation has deep market penetration servicing patients statewide.

The Corporation currently produces over 125 SKUs across multiple product lines. All products are available utilizing multiple strains grown in the Corporation's cultivation facilities and formulated to varying strengths. Each product line is specifically formulated in an effort to ensure high quality for that particular product type and for certain patient needs. For example, the Trulieve inhalation line has five product types: TruFlower, 250 mg standard wick cartridges, 600 mg ceramic cartridges, 400 mg CO<sub>2</sub> cartridges with cannabis derived terpenes, 375mg 1:1:1 cartridge with Delta 8 THC, 800 mg TruPods and TruShatter. TruFlower is a product designed in-house that consists of a ceramic container meeting the Florida statutory requirement of a tamperproof container intended for vaporizing. Three TruFlower containers are sold in a single package and equate to an eighth of flower. The Corporation was the first and is currently one of only two companies in Florida with this product. This product was developed for patients who benefit from whole plant cannabis and the associated entourage effect which has medical benefits and also for those patients who desire a more natural product. The standard 250mg cartridges are popular among patients who are new to cannabis and new to vaporization. These cartridges come in several different strain formulations in hybrid, sativa and indica categories. The 600 mg cartridges feature a ceramic cartridge design and utilize ethanol extracted oil mixed with MCT oil to reach the specified 600 mg of active THC per cartridge and are one of the most popular products in the Corporation's product line. The Corporation offers a wide variety of strains in this format including 1:1 THC and CBD ratio cartridges. The newly introduced 400mg CO<sub>2</sub> cartridge is comprised of CO<sub>2</sub> cannabis distillate with cannabis derived terpenes to provide an effect that is similar to a whole plant product. The 1:1:1 375 mg cartridge features one part THC, one part CBD and one part Delta 8 THC. Delta 8 THC is purported to have anti-nausea and appetite stimulating effects making this product popular for patients who are undergoing treatment such as chemotherapy or have a condition whereby appetite is suppressed. The 800 mg TruPod cartridge is a pure, uncut distillate product and is a popular choice for patients who require a higher dose or those that do not want any additional cutting agents added to their cartridge products. Finally, TruShatter is a full-spectrum concentrate sold in a shatter consistency for inhalation utilizing the Trulieve concentrate pen.

Currently, the Corporation sells all of its products across all 18 Trulieve branded retail locations throughout the state of Florida.

For the year ended December 31, 2016, Trulieve, Inc. had revenue of \$161,145 of which approximately 22.25% was derived from delivery-based sales, with the remaining revenue being derived from in-store purchases. 49.92% of such sales for the year ended December 31, 2016 were sales of inhalation products, 16.16% oral syringes, 10.22% accessory devices, 15.41% capsules and the remainder in topical and other categories.

For the year ended December 31, 2017, Trulieve, Inc. had total revenue of \$19,778,344, of which 20.3% derived from delivery-based sales, with the remaining revenue being derived from in-store purchases. Approximately 62.52% of such sales for the year ended December 31, 2017 were sales of inhalation products, 13.86% oral syringes, 10.36% ancillary devices, 6.13% capsules and the remainder in topical and other categories.

The Corporation has a research and development program led by its R&D Manager who is responsible for vetting new product and technology opportunities and making recommendations to invest in or launch new products and/or technology across all business functions. The current suite of in-house the Corporation's products (with the exception of the nasal spray) have been developed and produced

solely by the Corporation. The Corporation will continue to perform research and development in cultivation and production techniques, as well as product development.

## Production and Sales

As a vertically-integrated company, the Corporation produces 100% of all products sold in Trulieve stores. The Corporation primarily utilizes super critical ethanol extraction systems and techniques as well as CO<sub>2</sub> extraction for its cannabis products.

Hydrocarbon extraction of cannabis is contemplated in 2017 Florida Statute 381.986, however the Department must pass associated rules prior to hydrocarbon extraction being permitted in the State of Florida. The Corporation plans to produce products using hydrocarbon extraction techniques as soon as authorized by the Department and is building a state-of-the-art hydrocarbon extraction facility within the 55,000 square foot production facility currently under construction in anticipation of the Department's approval of such technique.

In addition, the Corporation is preparing for the release of regulations governing the production of edible cannabis products in Florida. Trulieve is in discussions with several well-known cannabis edibles brands from across the United States and plans to bring their expertise into the Florida market via licensing arrangements with edible products being produced by Trulieve, such products to be co-branded and distributed through Trulieve stores. On June 2, 2018, in furtherance of this strategy, the Corporation executed a Trademark Licensing Agreement with Bhang Corporation ("**Bhang**"). Pursuant to the Agreement and contingent upon approval by the Department, the Corporation will manufacture the Bhang edibles line of cannabis products and distribute those products in Trulieve stores. Leaders in the cannabis industry, the Bhang team produces an award-winning line of cannabis chocolate bars as well as gums and mouth sprays. Developed by Scott Van Rixel, a professional chef and Master Chocolatier with more than 25 years of gourmet chocolate experience, Bhang artisan chocolate bars pair the best in sustainably-source, free-trade cacao with adventurous flavors and high-quality, lab-tested, cannabis oil to produce award-winning cannabis products.

### *Trulieve Leases*

The Corporation leases all but four of its store locations. The following chart summarizes each of the Corporation's material locations and provides details regarding the Corporation's material leases, including the location and address of each site, whether the landlord is an arm's length third party or related party to the Corporation, the expiration date and terms of any renewal options of the lease, and whether such lease is in good standing.

Florida Location	Address	Landlord Relation	Termination Date	Renewal Option	Payment Terms	Good Standing
<b>Tallahassee</b>	800 Capital Cir Southwest Tallahassee, FL 32301	Third Party	6/30/21	Three- 5 year options	Monthly	Yes
<b>Clearwater</b>	24761 US Hwy 19 N Clearwater, FL 33763	Related	8/15/20	Five - 2 year options	Monthly	Yes
<b>Dale Mabry</b>	8701 Dale Mabry Tampa, FL	Related	1/24/22	One - 5 year option	Monthly	Yes
<b>Miami</b>	4020 NW 26 St Miami, FL 33142	Related	1/31/27	Yearly after term	Monthly	Yes

<b>Edgewater</b>	103 Boston Rd, Edgewater, FL 32141	Third Party	3/15/19	Two -2 year options	Monthly	Yes
<b>Orlando</b>	4544 N Orange Blossom Trail Orlando, FL 32804	Related	3/31/27	Yearly after term	Monthly	Yes
<b>Pensacola</b>	3119 N Davis Hwy Pensacola, FL 32503	Related	3/31/27	Yearly after term	Monthly	Yes
<b>Sumter County - Villages</b>	Oakland Hills Professional Center, 13940 US-441 #601, Lady Lake, FL 32159	Third Party	4/31/22	Three- 3 year options	Monthly	Yes
<b>North Miami - Aventura Warehouses</b>	1766 NE 205th Terrace Miami, FL 33179	Third Party	5/31/20	Two- 3 year options	Monthly	Yes
<b>St. Pete 4th St</b>	8435 4th St. St. Petersburg, FL	Related	6/5/22	One- 5 year option	Monthly	Yes
<b>Gainesville</b>	1527 NW 6th St Gainesville, FL 32601	Related	6/4/19	Two 5 year options	Monthly	Yes
<b>Bradenton</b>	1103 W 14th St. Bradenton, FL 34205	Related	6/20/22	One- 5 year option	Monthly	Yes
<b>Ft. Myers North</b>	13971 N Cleveland Ave #16, North Fort Myers, FL 33903	Third Party	4/30/22	Three- 3 year options	Monthly	Yes
<b>Jacksonville</b>	6259 Beach Blvd Jacksonville, FL 32216	Related	6/30/27	Yearly after term	Monthly	Yes
<b>Boynton Beach - Lease</b>	1530 SW 8th Street Suite A-3 Boynton Beach, FL 33426	Third Party	8/31/22	Two- 5 Year options	Monthly	Yes
<b>Vero Beach</b>	1814 Commerce Ave Vero Beach, FL 32960	Related	1/1/23	One - 5 year option	Monthly	Yes
<b>New Port Richey</b>	5623 US-19 New Port Richey, FL 34652	Related	12/31/23	Two 5 year options	Monthly	Yes
<b>Calumet</b>	1730 Calument Drive, Clearwater, FL	Related	1/1/23	One- 5 year option	Monthly	Yes
<b>West Palm Beach</b>	1320, 1322, 1324 N. Military Trail West Palm Beach, FL 33409	Third Party	12/31/22	Three- 5 year options	Monthly	Yes

<b>Dania Beach</b>	520 Stirling Rd Dania Beach, FL 33004	Related	10/1/23	One- 5 year option	Monthly	Yes
<b>Clearwater - Office Space</b>	24671 US HWY 19 N Clearwater, FL 33763	Related	10/31/21	One- 5 year option	Monthly	Yes
<b>Venice</b>	1260 Jacaranda Blvd Venice, FL 34292	Related	4/30/23	One - 5 year option	Monthly	Yes
<b>Palm Coast</b>	28 Old Kings Road North, Palm Coast, FL 32137	Related	4/30/23	one 5 year option	Monthly	Yes
<b>Deerfield Beach</b>	458 W. Hillsboro Blvd Deerfield Beach, FL 33441	Third Party	4/30/23	One- 5 year option	Monthly	Yes
<b>Sarasota</b>	935 N Beneva Rd #707-711, Sarasota, FL 34232	Third Party	5/31/23	One- 5 year option	Monthly	Yes
<b>Dadeland</b>	9600 SW 77th Ave Miami, FL 33156	Third Party	2/28/22	Two- 3 Year renewals	Monthly	Yes
<b>Clearwater</b>	24639 US HWY 19 N., Clearwater, FL 33763	Related	6/30/23	One- 5 year option	Monthly	Yes
<b>Miami Beach</b>	300 Arthur Godfrey Rd Suite 203 Miami Beach, FL 33140	Third Party	1/31/23	Two- 3 year options	Monthly	Yes
<b>St. Augustine</b>	2303 N. Ponce De Leon Blvd. Suite B & C	Third Party	7/1/23	One- 5 year option	Monthly	Yes
<b>Melbourne</b>	3350 W New Haven Ave Brevard County, FL	Third Party	12/31/23	One- 5 year option	Monthly	Yes
<b>Juniper Creek</b>	1844 Juniper Creek Rd Quincy FL 32351	Owned	N/A	N/A	Monthly	Yes
<b>Ben Bostic</b>	6749 Ben Bostic Rd Quincy, FL 32351	Owned	N/A	N/A	Monthly	Yes
<b>Midway</b>	816 Commerce Blvd Midway, FL 32343	Owned	N/A	N/A	Monthly	Yes
<b>Higdon</b>	130 N Virginia St Quincy, FL 32351	Owned	N/A	N/A	Monthly	Yes
<b>Broward</b>	2813 W Broward	Related	10/31/23	Three –	Monthly	Yes

	Blvd Ft Lauderdale, FL 33132			5year options		
<b>Orlando</b>	9521 S Orange Blossom Trail #106-107 Orlando, FL	Third Party	1/31/24	One – 5 year option	Monthly	Yes
<b>Ft Lauderdale</b>	1417 SW 40 <sup>th</sup> Terrace #C-1 & C-2 Ft Lauderdale, FL 32837	Third Party	8/30/21	One- 3 year option	Monthly	Yes
<b>Miami Gardens</b>	18350 NW 47 <sup>th</sup> Ave Miami Gardens, FL 33055	Third Party	6/30/23	One – 5year option	Monthly	Yes
<b>Bonita Springs</b>	8951 Bonita Beach Rd, SE Bonita Springs, FL 34135	Third Party	1/31/24	One- 5 year option	Monthly	Yes

#### *Specialized Skills*

The Corporation is perpetually recruiting and hiring talented individuals to join the Trulieve team. The Corporation currently employs a wide range of skill sets, including employees with PhD and master's degrees. Many of the Corporation's employees are college graduates and many have specific skills related to their job function with the Corporation. The Corporation will be recruiting individuals with production-level cooking experience to build out the edibles division as well as individuals with hydrocarbon extraction experience for that product line. The Corporation also will continue to build out its research and development team with scientists and other area specialists. The Corporation utilizes a variety of recruiting techniques, including online resources as well as recruiting professionals to assist with filling specialized roles.

#### *Supply Chain*

The Corporation is a true seed to sale company and as such controls the supply chain for its products and distribution. Aside from hardware components that are readily available such as childproof bottles and packaging and ingredients which are also readily attainable such as olive oil or coconut oil, raw materials are produced by the Corporation's personnel in-house. Those materials not produced in-house are purchased at market prices from vetted suppliers.

#### *Brand Recognition and Intellectual Property*

The Corporation has been registered as a nursery in the State of Florida since June 2, 1981 and was awarded a license to operate in Florida as a Medical Marijuana Dispensing Organization in 2015. Over this time, the Corporation has built brand recognition through the state of Florida. The Corporation uses a consistent approach to the design of each of its stores in an effort to further create a uniform experience for the Corporation's patients.

The Corporation has received trademark approval from the State of Florida for the name Trulieve. The Corporation owns the domain name trulieve.com as well as several additional related domain names. The Corporation has not registered any patents nor is it in the process of registering any patents. The Corporation relies on non-disclosure and confidentiality agreements to protect its intellectual property rights. To the extent the Corporation is required to make disclosure to the State regarding specific proprietary and trade secret information, such information is redacted prior to public disclosure.

### *Year-Round Business*

The Corporation's medical cannabis business is year-round and neither cyclical nor seasonal.

### *Employees*

The Corporation is committed to hiring talented individuals and maximizing individual potential while fostering growth and career advancement. Since the opening of its first store in 2016, the Corporation's workforce has grown to over 900 employees throughout Florida, including personnel in the Corporation's cultivation, production, transportation and retail divisions, along with the Corporation's executive and support services teams. The Corporation's goal is to use the highest standards in attracting the best talent, offering competitive compensation, as well as implementing best practices in evaluating, recruiting and onboarding its human capital. The Corporation's employees are split across company divisions as follows:

Retail: 638  
Executives: 4  
Production: 129  
Accounting: 12  
Human Resources, Management and R&D: 49  
Cultivation: 302  
Transportation: 14  
**Total: 1,148**

The Corporation strives to be an employer of choice through its ongoing commitment to diversity and inclusion in the workplace. The Corporation recently hired a third-party consulting firm to conduct a diversity audit and subsequent action plan for Trulieve in an effort to maintain and improve its commitment in this regard. The audit, completed in July 2017, found that 43% of the Corporation's employees were minorities and 37% were women. The Corporation is continuing to follow the recommendations outlined in the diversity action plan to maintain the Corporation's high rating as a diverse and inclusive workplace. Company-wide leadership training helps to create awareness, perpetuate the Corporation's core values and further define the Corporation's culture as truly diverse and inclusive.

In addition, the Corporation is committed to maintaining a zero-tolerance policy for all forms of harassment, discrimination and retaliation. Ongoing policy training at the Corporation serves to educate and set context around company policies and protocols while it reinforces the Corporation's commitment to sustaining a workplace free of all forms of harassment and discrimination.

The Corporation is also committed to safety in the workplace and has an Environmental, Health & Safety Manager on staff to oversee safety initiatives within the Corporation's facilities. In addition, the Corporation requires specific training on workplace safety matters.

The Corporation's company culture is defined by its commitment and focus to quality products, as well as the best customer service, both internally and externally. Management believes the Corporation's growth and outreach within the community helps to fortify and expand the Trulieve brand. The Corporation strives to cultivate a service mentality with a priority on transparency in communication throughout all levels of the organization. Part of the way the Corporation measures its success is by gauging employee satisfaction, specifically, through top-notch training, empowerment, employee acknowledgement and feedback. These commitments to the Corporation's patients, the Corporation's workforce and to the community define the Corporation as a true employer of choice.

### **Competitive Conditions and Positions**

The Corporation dispenses (on average) 70% of all milligrams of cannabis dispensed in Florida

per the Department as of July 27, 2018. By comparison, the Corporation's next closest competitor in Florida dispenses, on average, 11% of dispensed cannabis milligrams.

The following chart provides a summary of the principal medical cannabis companies operating in Florida as of the date of this AIF, the number of locations of such companies, whether such companies deliver their products to their patients and the types of products sold.

Medical Marijuana Treatment Center	Trulieve	Surterra	Liberty Health Sciences/Aphria	Knox	Curaleaf	Grow Healthy	AltMed/MUV	VIDACANN (Loops)	The Green Solution	Columbia Care
Locations	Tallahassee, Tampa, Clearwater, Pensacola, Miami, Edgewater, Lady Lake, Jacksonville, St. Petersburg, Bradenton, Ft Myers, Orlando, Gainesville, Vero Beach, New Port Richey, Dadeland, Palm Coast, Boynton Beach	Deltona, Jacksonville, Largo, Miami Beach, North Port, Orlando, Pensacola, Port Orange, Tallahassee, Tampa, Orange Park	Villages, St. Petersburg, Tampa, Port St. Lucie	Tallahassee, Gainesville, Orlando, Jacksonville, Lake Worth, St. Petersburg, Fort Walton Beach	Ft. Myers, Jacksonville, Kendall, Lakeland, Lake Worth, Miami, Orlando, Palm Bay, Palm Harbor, St. Petersburg, Deerfield Beach	Delivery Only	Apollo Beach, Sarasota, Tampa	Holly Hill, Palm Bay, Deerfield Beach	Not Delivering	Delivery Only
Delivery	Yes	Yes	Yes	Yes	Yes	Yes	Yes - 20 mile radius	Yes- Limited	No	Yes
Products										
Flower for Vaporization	x				x					
Vaporizer Cartridges	x	x	x	x	x	x	x	x	x	
Shatter	x						x			
Oral Concentrates	x	x	x		x	x	x	x		
Tinctures	x	x	x	x		x	x	x		x
Sprays							x			
Oral Syringes	x				x					
Capsules	x		x	x	x			x		
Topical Cream	x	x	x	x	x		x			
Patches		x					x			
Inhalers/Nebulizers	x						x			
Suppositories				x						

The Corporation's current operational footprint exists in a market with relatively high barriers to entry and limited market participants. The State of Florida has written regulations that impose limitations on the number of business licenses that can be awarded.

The Corporation still faces competition from other companies that may have a higher capitalization, access to public equity markets, more experienced management or may be more mature as a business. The vast majority of both manufacturing and retail competitors in the Corporation's market consists of localized businesses (i.e. doing business in only a single state market). There are a few multi-state operators that the Corporation competes directly with. Aside from this direct competition, out-of-state operators that are capitalized well enough to enter those markets through acquisitive growth are also considered part of the competitive landscape. Similarly, as the Corporation executes its growth strategy, operators in our future state markets will inevitably become direct competitors. See *Risk Factors – Competition*.

## REGULATORY OVERVIEW

In accordance with the Canadian Securities Administrators Staff Notice 51-352 (Revised) – *Issues with U.S. Marijuana-Related Activities* (“**Staff Notice 51-352**”), below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where the Corporation is currently directly involved through Trulieve, Inc. The Corporation's wholly-owned subsidiary, Trulieve, Inc., is directly engaged in the manufacture, possession, use, sale or distribution of cannabis in the medicinal cannabis marketplace in the State of Florida. In accordance with Staff Notice 51-352, the Corporation will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. Any non-

compliance, citations or notices of violation which may have an impact on the Corporation's license, business activities or operations will be promptly disclosed by the Corporation.

### **Regulation of Cannabis in the United States Federally**

As of the January 16, 2018, the United States Supreme Court has ruled that the United States Congress has the power to regulate cannabis. The United States federal government regulates drugs through the CSA, which places controlled substances, including cannabis, in a schedule. Cannabis is classified as a Schedule I drug. A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, a lack of safety for use under medical supervision and a high potential for abuse. The Department of Justice defines Schedule 1 drugs, substances or chemicals as "drugs with no currently accepted medical use and a high potential for abuse." **The United States Food and Drug Administration has not approved marijuana as a safe and effective drug for any indication.**

Unlike in Canada which has federal legislation uniformly governing the cultivation, distribution, sale and possession of medical marijuana under the Access to Cannabis for Medical Purposes Regulations, marijuana is largely regulated at the state level in the United States.

**State laws regulating cannabis are in direct conflict with the CSA, which makes cannabis use and possession federally illegal. Although certain states and territories of the United States authorize medical or recreational cannabis production and distribution by licensed or registered entities, under federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal and any such acts are criminal acts under the CSA. Although the Corporation's activities are compliant with applicable Florida state and local law, strict compliance with state and local laws with respect to cannabis may neither absolve the Corporation of liability under United States federal law, nor may it provide a defense to any federal proceeding which may be brought against the Corporation.**

The risk of federal enforcement and other risks associated with the Resulting Issuer's business are described this AIF under *Risk Factors*.

#### *Operational Foundation in Florida*

The Corporation is focusing on penetrating the Florida cannabis market with plans to open an additional 13 stores in Florida by January 2019. In addition, the Corporation is focused on leveraging its manufacturing and retail expertise to expand into other states.

The Corporation is targeting retail locations in Florida with high concentrations of authorized physicians and potential patients. Ideal locations also provide distribution efficiencies with proximity to key highways or other thoroughfares. Since the Corporation has been delivering products to patients state-wide since inception, the Corporation has amassed data from existing patients which provides critical intelligence on where current Trulieve patients live and associated drive-times to dispensary locations, further informing expansion decisions. Utilizing this matrix, the Corporation has identified locations for the Corporation's next 14 locations and will endeavour to open these locations within the next 12 months.

#### *Entry to Other Markets*

In addition to retaining its position as the Florida leader, the Corporation is proposing to bring the Trulieve brand experience to additional states in the United States. The Corporation will focus on opportunities where the Corporation's expertise in product development, patient acquisition and patient service can be leveraged to create scale. By focusing on markets where there is little to no true brand experience, the Corporation believes it can quickly penetrate new markets by bringing its branded product line and consistent store experience, as well as patient and physician-focused resources, into other states.



## *Regulation of the Medical Cannabis Market in Florida*

In 2014, the Florida Legislature passed the Compassionate Use Act (the “**CUA**”) which was a low-THC (CBD) law, allowing cannabis below 0.8%THC to be sold to patients diagnosed with severe seizures or muscle spasms and cancer. The CUA created the competitive licensing structure and originally allowed for one vertically-integrated license to be awarded per five regions of the State. The CUA set forth the criteria for applicants as well as the minimum qualifying criteria which included the requirement to hold a nursery certificate for a minimum of 400,000 plants and to be a registered nursery for at least 30 continuous years. The CUA also created a state registry to track dispensations.

In 2016, the Florida Legislature passed the Right to Try Act (the “**RTA**”), which expanded the State’s medical cannabis program to allow for full potency THC products to be sold as “medical cannabis” to patients with a terminal condition that had been diagnosed by two physicians.

In November of 2016, the Florida Medical Marijuana Legalization ballot initiative (the “**Initiative**”) to expand the medical cannabis program under the RTA with the approval of 71.3% of the voters, thereby amending the Florida constitution. The Initiative added 10 medical conditions to the list of conditions for which medical cannabis is permitted in Florida. The Initiative also provided for the implementation of state-issued medical cannabis identification cards.

In 2017, the Florida Legislature passed legislation implementing a constitutional amendment pursuant to the Initiative and codified the changes set forth in the constitution. The law provides for another four licenses to be issued for every 100,000 patients, added to the registry and limited license holders to a maximum of 25 store locations with the ability to purchase locations from one another and for an additional five locations to be allowed by the State for every 100,000 patients added to the licensed entity’s registry.<sup>1</sup>

As of September 28, 2018, there were 169,632 registered patients in the State of Florida, 14 approved MMTCs (of which three hold only cultivation licenses and one holds none of the required approvals) and 55 approved retail dispensing locations. As of September 28, 2018, Trulieve operated 17 of these dispensing locations.

### *Trulieve License*

The Corporation is vertically licensed as an MMTC. Under Florida law, a license is required to cultivate, process and dispense medical cannabis. Licenses are issued by the Department and may be renewed biennially. The Corporation received its most recent license renewal on June 13, 2018.

In Florida, there is no state-imposed limitation on the permitted size of cultivation or processing facilities, nor is there a limit on the number of plants that may be grown. Smokable flower is not permitted to be sold under Florida law, however cannabis flower can be sold in a tamper-proof container intended for vaporizing. The Corporation has developed and is selling a product that meets this requirement.

Under its license, the Corporation is permitted to sell cannabis to those patients who are entered into the State’s electronic registry by a qualified physician and possess a state-issued medical marijuana identification card. The physician determines patient eligibility as well as the routes of administration (e.g. topical, oral, inhalation) and number of milligrams per day a patient is able to obtain under the program. The physician order is valid for 70 days, following which the order expires and a new order must be issued by a physician. The number of milligrams dispensed, the category of cannabis (either low-THC or medical cannabis) and whether a delivery device such as a vaporizer has been authorized is all recorded in the registry for each patient transaction.

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<sup>1</sup> The Corporation has filed litigation to challenge the 25 location limitation. The Corporation is claiming that locations open and/or applied for prior to the law going into effect should be grandfathered and should not count against the 25-store limitation. The case trial occurred on Aug 27, 2018 and a verdict is pending.

The Corporation is authorized to sell a variety of products and currently offers over 80 SKUs in various product categories for sale. Edible products were authorized by the Florida Legislature in 2017 pending rulemaking by the Department. The Department has held workshops regarding edibles but has not yet drafted the contemplated regulations. Hydrocarbon extracted products are also contemplated in the 2017 law and are awaiting rulemaking by the Department.

Dispensaries may be located in any location throughout the State of Florida as long as the local government has not issued a prohibition against MMTC dispensaries locating in their respective locality. Provided there is not a ban, the Corporation may locate a dispensary in a site zoned for a pharmacy so long as the location is greater than 500 feet from a church or school. Pursuant to Florida Statute 2017 381.986, the State provides for a limitation of 25 dispensary locations per MMTC with an additional five locations per MMTC authorized once the MMTC's patient registry reaches 100,000 patients. Prior to the 2018 amendment of the Florida constitution, the number of locations an MMTC could open was not limited. The Corporation has filed a claim in the Court for the Second Judicial Circuit in Leon County (the "**Court**") asking the Court to disregard the dispensary locations the Corporation had open and/or applied for prior to the 2018 limitation becoming effective. This matter is currently pending Court review. The Corporation currently has 18 approved dispensaries operating in the State of Florida.

In addition, the Corporation's license allows the Corporation to deliver products directly to patients. The Corporation provides statewide delivery of its products and has offered the service since 2015.

#### *Florida Reporting Requirements*

The Department requires that any licensee establish, maintain, and control a computer software tracking system that traces cannabis from seed to sale and allows real-time, 24-hour access by the Department to such data. The tracking system must allow for integration of other seed-to-sale systems and, at a minimum, include notification of certain events, including when marijuana seeds are planted, when marijuana plants are harvested and destroyed and when cannabis is transported, sold, stolen, diverted, or lost. Additionally, the Department also maintains a patient and physician registry and the licensee must comply with all requirements and regulations relative to the provision of required data or proof of key events to said system in order to retain its license. Florida requires all MMTCs to abide by representations made in their original application to the State of Florida. Any changes or expansions must be requested via an amendment or variance process.

#### *Florida Licensing Requirements*

Licenses issued by the Department may be renewed biennially so long as the licensee meets requirements of the Florida Statute 381.986 and pays a renewal fee. License holders can only own one license within the State of Florida and MMTC's can operate up to a maximum of 25 dispensaries throughout the State. Applicants must demonstrate (and licensed MMTC's must maintain) that: (i) they have been registered to do business in the State of Florida for the previous five years, (ii) they possess a valid certificate of registration issued by the Florida Department of Agriculture, (iii) they have the technical and technological ability to cultivate and produce cannabis, including, but not limited to, low-THC cannabis, (iv) they have the ability to secure the premises, resources, and personnel necessary to operate as an MMTC, (v) they have the ability to maintain accountability of all raw materials, finished products, and any by-products to prevent diversion or unlawful access to or possession of these substances, (vi) they have an infrastructure reasonably located to dispense cannabis to registered qualified patients statewide or regionally as determined by the Department, (vii) they have the financial ability to maintain operations for the duration of the two-year approval cycle, including the provision of certified financial statements to the Department, (viii) all owners, officers, board members and managers have passed a Level II background screening, inclusive of fingerprinting, and ensure that a medical director is employed to supervise the activities of the MMTC, and (ix) they have a diversity plan and veterans plan accompanied by a contractual process for establishing business relationships with veterans and minority contractors and/or employees. Upon approval of the application by the Department, the

applicant must post a performance bond of up to US \$5 million, which may be reduced to US \$2 million once the licensee has served 1,000 patients (which Trulieve has accomplished).

#### *Compliance with Applicable State Law in the United States*

The Corporation is classified as having a “direct” involvement in the United States cannabis industry and is in compliance with applicable licensing requirements and the regulatory framework enacted by the State of Florida. The Corporation is not subject to any citations or notices of violation with applicable licensing requirements and the regulatory framework enacted by the state of Florida which may have an impact on its licenses, business activities or operations.

The Corporation has state and local regulatory/compliance counsel engaged in every jurisdiction in which it operates. The Corporation oversees training for all employees, including on the following topics:

- compliance with state and local laws
- dispensing procedures
- security and safety policies and procedures
- inventory control
- quality control
- transportation procedures

The Corporation’s training program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery to sale or disposal. Only authorized, properly trained employees are allowed to access the Corporation’s computerized seed- to-sale system. All Trulieve facilities are monitored 24-hours a day, seven days a week. The Corporation’s Director of Security monitors all security risks, both internal and external, to ensure patient and employee safety as well as to deter diversion. The Corporation’s Director of Security oversees all security personnel including armed personnel at each dispensary location and at all processing and cultivation facilities.

The Corporation monitors all compliance notifications from the regulators and inspectors in each market, in an effort to resolve any issues identified on a timely basis. The Corporation keeps records of all compliance notifications received from the state regulators or inspectors and how and when the issue was resolved.

Further, the Corporation has created comprehensive standard operating procedures that include detailed descriptions and instructions for receiving shipments of inventory, inventory tracking, recordkeeping and record retention practices related to inventory, as well as procedures for performing inventory reconciliation and ensuring the accuracy of inventory tracking and recordkeeping. The Corporation maintains records of its inventory at all licensed facilities. Adherence to the Corporation’s standard operating procedures is mandatory and ensures that the Corporation’s operations are compliant with the rules set forth by the applicable state and local laws, regulations, ordinances, licenses and other requirements. Trulieve ensures adherence to standard operating procedures by regularly conducting internal inspections and is committed to ensuring any issues identified are resolved quickly and thoroughly.

In January 2018, United States Attorney General Jeff Sessions rescinded the Cole Memorandum and thereby created a vacuum of guidance for enforcement agencies and the Department of Justice.<sup>2</sup> In order to comply with industry best practices, despite the rescission of the Cole Memo, the Corporation continues to do the following to ensure compliance with the guidance provided by the Cole Memorandum:

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<sup>2</sup> U.S. Dept. of Justice. (2013). *Memorandum for all United States Attorneys re: Guidance Regarding Marijuana Enforcement*. Washington, DC: US Government Printing Office.

- Ensure the operations are compliant with all licensing requirements that are set forth with regards to cannabis operation by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions. To this end, the Corporation retains appropriately experienced legal counsel to conduct the necessary due diligence to ensure compliance of such operations with all applicable regulations;
- The activities relating to cannabis business adhere to the scope of the licensing obtained
  - for example, in Florida only medical cannabis is permitted and therefore the products are only sold to patients who have the appropriate recommendation in the state registry and have a valid state-issued medical identification card;
- The Corporation only works through licensed operators, which must pass a range of requirements, adhere to strict business practice standards and be subjected to strict regulatory oversight whereby sufficient checks and balances ensure that no revenue is distributed to criminal enterprises, gangs and cartels; and
- The Corporation conducts reviews of products and product packaging to ensure that the products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving

The Corporation will continue to monitor compliance on an ongoing basis in accordance with its compliance program and standard operating procedures. While the Corporation's operations are in full compliance with all applicable state laws, regulations and licensing requirements, such activities remain illegal under United States federal law. For the reasons described above and the risks further described in *Risk Factors* below, there are significant risks associated with the business of the Corporation. See *Risk Factors*.

#### *Ability to Access Public and Private Capital*

Given the current laws regarding cannabis at the federal level in the United States, traditional bank financing is typically not available to United States cannabis companies. Specifically, the federal illegality of marijuana in the United States means that financial transactions involving proceeds generated by cannabis-related conduct can form the basis for prosecution under money laundering statutes, the unlicensed money transmitter statute and the *Bank Secrecy Act* (the "**BSA**"). As a result, businesses involved in the cannabis industry often have difficulty finding a bank willing to accept their business. Banks who do accept deposits from cannabis-related businesses in the United States must do so in compliance with the Cole Financial Crime Memo and the FinCEN Memo, each dated February 14th, 2014. The Cole Financial Crime Memo states that prosecutors should apply the enforcement priorities of the Cole Memorandum in determining whether to charge individuals or institutions with crimes related to financial transactions involving the proceeds of marijuana-related conduct. The FinCEN Memo provides guidelines to banks on how to accept deposits from cannabis-related businesses while remaining compliant with the BSA. The Financial Crime Enforcement Network has not rescinded the FinCEN Memo following the United States Department of Justice's January 4, 2018 announcement rescinding the Cole Memorandum.

Trulieve, Inc. has a banking relationship with a Florida state-chartered bank for deposits and payroll, however Trulieve, Inc. does not have access to traditional bank financing.

Trulieve has been successful at raising capital privately and raised over \$22 million prior to the closing of the SR Offering. Pursuant to the SR Offering, the Corporation raised approximately C\$65 million. The Corporation expects to generate adequate cash to fund its continuing operations. The Corporation's business plan includes aggressive growth, both in the form of additional acquisitions and through facility expansion and improvements. Accordingly, the Corporation expects to raise additional capital. There can

be no assurance that additional financing will be available to the Resulting Issuer when needed or on terms which are acceptable. See *Risk Factors*.

## **RISK FACTORS**

### **Cannabis is Illegal under Federal United States Law**

The Corporation derives 100% of its revenues from the cannabis industry in the State of Florida, which industry is illegal under United States federal law. While the Corporation's business activities are compliant with applicable state and local law, Cannabis is a Schedule 1 controlled substance and is illegal under United States federal law. Since federal law criminalizing the use of cannabis pre-empts state laws that legalize its use, strict enforcement of federal law regarding cannabis would harm the Resulting Issuer's business, prospects, results of operation, and financial condition.

As a result of the conflicting views between state legislatures and the federal government regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed in the Cole Memorandum addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several US states have enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined certain priorities for the Department of Justice relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the Department of Justice has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

Medical cannabis is currently protected against enforcement by enacted legislation from United States Congress in the form of the Rohrabacher-Blumenauer Amendment which similarly prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level, subject to Congress restoring such funding.

Subsequent to the issuance of the Sessions Memorandum on January 4, 2018, the United States Congress passed its omnibus appropriations bill, SJ 1662, which for the fourth consecutive year contained the Rohrabacher-Blumenauer Amendment language and continued the protections for the medical cannabis marketplace and its lawful participants from interference by the Department of Justice up and through the 2018 appropriations deadline of September 30, 2018. Due to the ambiguity of the Sessions Memorandum in relation to medical cannabis, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

Such potential proceedings could involve significant restrictions being imposed upon the Resulting Issuer, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Corporation's business, revenues, operating results and financial condition as well as the Corporation's reputation, even if such proceedings were concluded successfully in favour of the Corporation.

There can be no assurance as to the position any new administration may take on cannabis and a new administration could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Corporation and its shareholders. Further, future presidential administrations may want to treat cannabis differently and potentially enforce the federal laws more aggressively.

## **United States Regulatory Uncertainty**

The activities of the Corporation are subject to regulation by governmental authorities. The Corporation's business objectives are contingent upon, in part, compliance with regulatory requirements enacted by these governmental authorities and obtaining all regulatory approvals, where necessary, for the sale of its products in each jurisdiction in which it operates. Any delays in obtaining, or failure to obtain regulatory approvals would significantly delay the development of markets and products and could have a material adverse effect on the business, results of operations and financial condition of the Corporation. Furthermore, although the operations of the Corporation are currently carried out in accordance with all applicable rules and regulations, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Corporation's ability to import, distribute or, in the future, produce marijuana. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of marijuana, or more stringent implementation thereof could have a substantial adverse impact on the Corporation.

Because of the conflicting views between state legislatures and the federal government of the United States regarding cannabis, investments in cannabis businesses in the United States are subject to inconsistent legislation, regulation, and enforcement. Unless and until the United States Congress amends the CSA with respect to cannabis or the Drug Enforcement Agency reschedules or de-schedules cannabis (and as to the timing or scope of any such potential amendments there can be no assurance), there is a risk that federal authorities may enforce current federal law, which would adversely affect the current and future operations of the Resulting Issuer in the United States. As a result of the tension between state and federal law, there are a number of significant risks associated with the Corporation's existing and future operations in the United States.

### **Changes to state or local laws and regulations could affect the Resulting Issuer's business**

Cannabis is a new industry subject to extensive regulation at every level of government. In particular, state and local regulatory regimes with respect to cannabis are frequently changed, amended, adjusted, or otherwise modified to respond to varied pressures from stakeholders, regulators and the public. Such changes may require the Corporation to incur substantial legal and compliance costs and/or materially alter the Corporation's business plan.

Although the Corporation believes that its operations are currently carried out in accordance with all applicable rules and regulations of the State of Florida, no assurance can be given that new rules and regulations will not be enacted or that existing rules and regulations will not be applied in a manner which could limit or curtail the Corporation's ability to produce, process or sell cannabis. Amendments to current laws and regulations governing the importation, distribution, transportation and/or production of cannabis, or more stringent implementation thereof could have a substantially adverse impact on the Corporation.

### **There is uncertainty of existing protection from United States federal prosecution**

Until September 2018, the DOJ is prohibited from expending any funds for the prosecution of medical cannabis businesses operating in compliance with state and local laws pursuant to the RBA. If the RBA or an equivalent thereof is not successfully amended to the next or any subsequent federal omnibus spending bill, the protection afforded thereby to United States medical cannabis businesses would lapse, and such businesses would be more at risk to prosecution under federal law. There is a possibility that all amendments may be banned from federal omnibus spending bills, and if this occurs and the substantive provisions of the Rohrabacher-Leahy Amendment are not included in the base federal omnibus spending bill or other law, these protections would lapse. The Corporation regularly monitors the regulatory activities of United States Congress. Fully 62% of the combined House of Representatives and the Senate represent states with medical marijuana laws enacted or in process.

### **There is uncertainty surrounding the Trump Administration and Attorney General Jeff Sessions and their influence and policies in opposition to the cannabis industry as a whole**

There is significant uncertainty surrounding the policies of President Donald Trump and the Trump Administration about recreational and medical cannabis. Attorney General Sessions is a well-known advocate against legalization of cannabis.

On January 4, 2018, Attorney General Jeff Sessions and the DOJ issued the Sessions Memorandum. The effect of the Sessions Memorandum has been to rescind the guidance issued on August 29, 2013 relative to medical and recreational marijuana enforcement under the 2013 Cole Memo. The effect of the Cole Memo's rescission remains to be seen. On the same day of the Sessions Memo's release, numerous government officials, legislators and federal prosecutors in states with medical and recreational marijuana statutes announced their intention to continue the Cole-Memo-era status quo despite the DOJ's decision to rescind it. The impact that this lack of uniformity between state and federal authorities could have on individual state cannabis markets and the businesses that operate within them is unclear and the enforcement of relevant federal laws is a significant risk.

There is no certainty as to how the DOJ, Federal Bureau of Investigation and other government agencies will handle cannabis matters in the future. There can be no assurances that the Trump administration would not change the current enforcement policy and decide to strongly enforce the federal laws. The Corporation regularly monitors the activities of the current administration for evidence that it will contravene the Rohrabacher-Leahy Amendment enacted by United States Congress.

### **The cannabis industry is a new industry that may not succeed**

Should the federal government in the United States begin prosecuting those dealing in medical or other cannabis under applicable law, there may not be any market for the Corporation's products and services in the United States.

Cannabis is a new industry subject to extensive regulation, and there can be no assurance that it will grow, flourish or continue to the extent necessary to permit the Corporation to succeed. The Corporation is treating the cannabis industry as a deregulating industry with significant unsatisfied demand for its proposed products and will adjust its future operations, product mix and market strategy as the industry develops and matures.

### **Money Laundering Laws and Access to Banking**

The Corporation is subject to a variety of laws and regulations in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the *Currency and Foreign Transactions Reporting Act of 1970* (commonly known as the *Bank Secrecy Act*), as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States.

In February 2014, the Financial Crimes Enforcement Network ("**FinCen**") issued a memorandum (the "**FinCEN Memo**") providing instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memo states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memo.

In the event that any of the Corporation's operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the United States were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize the ability of the Corporation to declare or pay

dividends or effect other distributions.

### **Heightened Scrutiny of Cannabis Companies in Canada**

The Corporation's existing operations in the United States, and any future operations, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada.

Given the heightened risk profile associated with cannabis in the United States, CDS Clearing and Depository Services Inc. ("**CDS**") may implement procedures or protocols that would prohibit or significantly impair the ability of CDS to settle trades for companies that have cannabis businesses or assets in the United States.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("**TMX MOU**") with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures, and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the United States. However, there can be no assurances given that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of the Subordinate Voting Shares to settle trades. In particular, the Subordinate Voting Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of the Subordinate Voting Shares through the facilities of a stock exchange.

### **Requirement to Maintain License in Florida**

The Corporation's ability to grow, store and sell medical marijuana and cannabis oil in the State of Florida is dependent on maintaining its License with the Department. Failure to comply with the requirements of the License, or any failure to maintain any licenses held would have a material adverse impact on the business, financial condition and operating results of the Corporation.

To date, the activities and resources of Trulieve, Inc. have been focused within the state of Florida. The Corporation expects to continue the focus on this state as it continues to review further expansion opportunities into other jurisdictions in the United States. Adverse changes or developments within Florida could have a material and adverse effect on the Corporation's business, financial condition and results of operations.

### **Agricultural Risks**

The Corporation's business involves the growing of medical marijuana, an agricultural product. Such business will be subject to the risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks.

### **Additional Financing**

The Corporation may require equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Corporation when needed or on terms which are acceptable. The Corporation's inability to raise financing to fund on-going operations, capital expenditures or acquisitions could limit its growth and may have a material and adverse effect on the Corporation's business, financial condition and results of operations or prospects. If additional funds are raised through further issuances of equity or convertible debt securities, existing shareholders could



suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to those of holders of Subordinate Voting Shares.

### **The Corporation expects to incur significant ongoing costs and obligations related to its investment in infrastructure, growth, regulatory compliance and operations**

The Corporation expects to incur significant ongoing costs and obligations related to its investment in infrastructure and growth and for regulatory compliance, which could have a material adverse impact on the Corporation's results of operations, financial condition and cash flows. In addition, future changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Corporation's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations and financial condition of the Corporation. The Corporation's efforts to grow its business may be more costly than expected, and the Corporation may not be able to increase its revenue enough to offset its higher operating expenses. The Corporation may incur significant losses in the future for a number of reasons, including unforeseen expenses, difficulties, complications and delays, and other unknown events. If the Corporation is unable to achieve and sustain profitability, the market price of the securities of the Corporation may significantly decrease.

### **Unfavorable Tax Treatment of Cannabis Businesses**

Under Section 280E ("**Section 280E**") of the United States Internal Revenue Code of 1986, as amended (the "**U.S. Tax Code**"), "no deduction or credit shall be allowed for any amount paid or incurred during the taxable year in carrying on any trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of schedule I and II of the Controlled Substances Act) which is prohibited by Federal law or the law of any State in which such trade or business is conducted." This provision has been applied by the United States Internal Revenue Service to cannabis operations, prohibiting them from deducting expenses directly associated with the sale of cannabis. Section 280E, therefore, has a significant impact on the retail side of cannabis, but a lesser impact on cultivation and manufacturing operations. A result of Section 280E is that an otherwise profitable business may, in fact, operate at a loss, after taking into account its United States income tax expenses.

### **The size of the Corporation's target market is difficult to quantify and investors will be reliant on their own estimates on the accuracy of market data**

Because the cannabis industry is in a nascent stage with uncertain boundaries, there is a lack of information about comparable companies available for potential investors to review in deciding about whether to invest in the Corporation and, few, if any, established companies whose business model the Corporation can follow or upon whose success the Corporation can build. Accordingly, investors will have to rely on their own estimates in deciding about whether to invest in the Corporation. There can be no assurance that the Corporation's estimates are accurate or that the market size is sufficiently large for its business to grow as projected, which may negatively impact its financial results.

### **Intellectual Property Risks**

As long as cannabis remains illegal under U.S. federal law as a Schedule I controlled substance pursuant to the CSA, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available to the Corporation. As a result, the Corporation's intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third-parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, the Corporation can provide no assurance that it will ever obtain any protection of its intellectual property, whether on a federal, state or local level.

## **Contractual Risks**

Because the Corporation's contracts involve cannabis and other activities that are not legal under United States federal law and in some jurisdictions, the Corporation may face difficulties in enforcing its contracts in United States federal and certain state courts.

## **Risk of Civil Asset Forfeiture**

Because the cannabis industry remains illegal under United States federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property were never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which, with minimal due process, it could be subject to forfeiture.

## **Dependence on Personnel**

The Corporation will depend on key managerial personnel for its continued success and the Corporation's anticipated growth may require additional expertise and the addition of new qualified personnel. The loss of the services of existing personnel, as well as the failure to recruit additional key managerial personnel in a timely manner, could harm the Corporation's business development programs, and the Corporation's ability to manage day-to-day operations, attract collaboration partners, attract and retain other employees, generate revenues, and could have a material adverse effect on the Corporation's business, financial condition and results of operations.

## **United States Tax Classification of the Corporation**

The Corporation, which is and will continue to be a Canadian corporation as of the date of this AIF, generally would be classified as a non-United States corporation under general rules of United States federal income taxation. Section 7874 of the U.S. Tax Code, however, contains rules that can cause a non-United States corporation to be taxed as a United States corporation for United States federal income tax purposes. Under section 7874 of the U.S. Tax Code, a corporation created or organized outside the United States (i.e., a non-United States corporation) will nevertheless be treated as a United States corporation for United States federal income tax purposes (such treatment is referred to as an "Inversion") if each of the following three conditions are met (i) the non-United States corporation acquires, directly or indirectly, or is treated as acquiring under applicable United States Treasury Regulations, substantially all of the assets held, directly or indirectly, by a United States corporation, (ii) after the acquisition, the former stockholders of the acquired United States corporation hold at least 80% (by vote or value) of the shares of the non-United States corporation by reason of holding shares of the United States acquired corporation, and (iii) after the acquisition, the non-United States corporation's expanded affiliated group does not have substantial business activities in the non-United States corporation's country of organization or incorporation when compared to the expanded affiliated group's total business activities (clauses (i) – (iii), collectively, the "**Inversion Conditions**").

For this purpose, "expanded affiliated group" means a group of corporations where (i) the non-United States corporation owns stock representing more than 50% of the vote and value of at least one member of the expanded affiliated group, and (ii) stock representing more than 50% of the vote and value of each member is owned by other members of the group. The definition of an "expanded affiliated group" includes partnerships where one or more members of the expanded affiliated group own more than 50% (by vote and value) of the interests of the partnership.

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

tax purposes. As a result, the Corporation will be subject to taxation both in Canada and the United States which could have a material adverse effect on its financial condition and results of operations.

### **Greater Risk of Audits**

Based on anecdotal information, the Corporation believes there is a greater likelihood that the Internal Revenue Service will audit cannabis-related businesses, including the Corporation. Any such audit could result in the Corporation paying additional tax, interest and penalties, as well as incremental accounting and legal expenses.

### **Lack of Access to United States Bankruptcy Protections**

Because cannabis is a Schedule I substance under the CSA, many courts have denied cannabis businesses federal bankruptcy protections, making it difficult for lenders to be made whole on their investments in the cannabis industry in the event of a bankruptcy. If the Corporation were to experience a bankruptcy, there is no guarantee that United States federal bankruptcy protections would be available to the Corporation, which would have a material adverse effect.

### **Dividends**

It is unlikely that the Corporation will pay any dividends on the Subordinate Voting Shares in the foreseeable future. However, dividends received by shareholders who are residents of Canada for purpose of the ITA will be subject to United States withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the Canada-United States tax treaty. In addition, a foreign tax credit or a deduction in respect of foreign taxes may not be available.

Dividends received by United States shareholders will not be subject to United States withholding tax but will be subject to Canadian withholding tax. Dividends paid by the Corporation will be characterized as United States source income for purposes of the foreign tax credit rules under the United States Tax Code. Accordingly, United States shareholders generally will not be able to claim a credit for any Canadian tax withheld unless, depending on the circumstances, they have an excess foreign tax credit limitation due to other foreign source income that is subject to a low or zero rate of foreign tax.

Dividends received by shareholders that are neither Canadian nor United States shareholders will be subject to United States withholding tax and will also be subject to Canadian withholding tax. These dividends may not qualify for a reduced rate of United States withholding tax under any income tax treaty otherwise applicable to a shareholder of the Corporation, subject to examination of the relevant treaty.

Because the Subordinate Voting Shares will be treated as shares of a United States domestic corporation, the United States gift, estate and generation-skipping transfer tax rules generally apply to a non- United States shareholder of Subordinate Voting Shares.

### **Liability Claims**

As a distributor of products designed to be ingested by humans, the Corporation faces an inherent risk of exposure to product liability claims, regulatory action and litigation if its products are alleged to have caused significant loss or injury. The Corporation may be subject to various product liability claims, including, among others, that the Corporation's products caused injury or illness, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Corporation could result in increased costs, could adversely affect the Corporation's reputation with its clients and

consumers generally, and could have a material adverse effect on the results of operations and financial condition of the Corporation.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. If any of the Corporation's products are recalled due to an alleged product defect or for any other reason, the Corporation could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Corporation may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Additionally, if one of the Corporation's brands were subject to recall, the image of that brand and the Corporation could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for the Corporation's products and could have a material adverse effect on the Corporation's results of operations and financial condition.

### **Consumer Perception**

The Corporation believes the medical marijuana industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of medical marijuana distributed to such consumers. Consumer perception of the Corporation's products may be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of medical marijuana products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favourable to the medical marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention or other publicity that are perceived as less favourable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the Corporation's products and the business, results of operations, financial condition and cash flows.

### **Security Risks**

Given the nature of the Corporation's product and its lack of legal availability outside of channels approved by the Government of the United States, as well as the concentration of inventory in its facilities, despite meeting or exceeding all legislative security requirements, there remains a risk of shrinkage as well as theft. A security breach at one of the Corporation's facilities could expose the Corporation to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Corporation's products.

In addition, the Corporation collects and stores personal information about its patients and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Corporation's business, financial condition and results of operations.

The Corporation's operations will depend, in part, on how well it protects its networks, equipment, information technology ("IT") systems and software against damage from a number of threats, including, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. The Corporation's operations will also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of

information systems could, depending on the nature of any such failure, adversely impact the Corporation's reputation and results of operations.

### **Lack of Access to U.S. Bankruptcy Protections**

Because the use of cannabis is illegal under United States federal law, many courts in the United States have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If the Corporation were to experience a bankruptcy, there is no guarantee that United States federal bankruptcy protections would be available to the Corporation, which would have a material adverse effect.

### **Potential FDA Regulation**

Should the United States federal government legalize cannabis, it is possible that the United States Food and Drug Administration (the "FDA"), would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations including good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that the FDA would require that facilities where medical-use cannabis is grown register with the FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact would be on the cannabis industry is unknown, including what costs, requirements and possible prohibitions may be enforced. If the Corporation is unable to comply with the regulations or registration as prescribed by the FDA it may have an adverse effect on the Corporation's business, operating results and financial condition.

### **Competition**

The Corporation may face intense competition from other companies, some of which can be expected to have longer operating histories and more financial resources and manufacturing and marketing experience than the Corporation. Increased competition by larger and better financed competitors could materially and adversely affect the business, financial condition and results of operations of the Corporation.

If the number of users of medical marijuana in the United States increases, the demand for products will increase and the Corporation expects that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, the Corporation will require a continued level of investment in research and development, marketing, sales and client support. The Corporation may not have sufficient resources to maintain research and development, marketing, sales and client support efforts on a competitive basis which could materially and adversely affect the business, financial condition and results of operations of the Corporation. The Corporation's industry is experiencing rapid growth and consolidation that may cause the Corporation to lose key relationships and intensify competition

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm the Corporation in a number of ways, including losing customers, revenue and market share, or forcing the Corporation to expend greater resources to meet new or additional competitive threats, all of which could harm the Corporation's operating results. As competitors enter the market and become increasingly sophisticated, competition in the Corporation's industry may intensify and place downward pressure on retail prices for its products and services, which could negatively impact its profitability.

### **Voting Control**

As a result of the Super Voting Shares that they are anticipated to hold, Kim Rivers, the Chief Executive Officer and a director of the Corporation, Ben Atkins, a director of the Corporation, Thad

Beshears, a director of the Corporation, and Telogia Pharm, LLC, KOPUS, LLC and Shade Leaf Holding, LLC, shareholders of the Corporation through which certain of the founders and directors indirectly hold shares of the Corporation, exercise a significant majority of the voting power in respect of the Corporation's outstanding shares. The Subordinate Voting Shares are entitled to one vote per share, Multiple Voting Shares are entitled to 100 votes per share, and the Super Voting Shares are expected to be entitled to up to 200 votes per share. As a result, the holders of the Super Voting Shares have the ability to control the outcome of all matters submitted to the Corporation's shareholders for approval, including the election and removal of directors and any arrangement or sale of all or substantially all of the assets of the Corporation.

This concentrated control could delay, defer, or prevent a change of control of the Corporation, arrangement or amalgamation involving the Corporation or sale of all or substantially all of the assets of the Corporation that its other shareholders support. Conversely, this concentrated control could allow the holders of the Super Voting Shares to consummate such a transaction that the Corporation's other shareholders do not support.

### **Unpredictability Caused by Anticipated Capital Structure and Voting Control**

Although other Canadian-based companies have dual class or multiple voting share structures, given the capital structure contemplated in respect of the Corporation and the concentration of voting control held by the holders of the Super Voting Shares, this structure and control could result in a lower trading price for, or greater fluctuations in, the trading price of the Corporation's Subordinate Voting Shares or adverse publicity to the Corporation or other adverse consequences.

### **Sales of substantial amounts of Subordinate Voting Shares may have an adverse effect on the market price of the Subordinate Voting Shares**

Sales of substantial amounts of Subordinate Voting Shares, or the availability of such securities for sale, could adversely affect the prevailing market prices for the Subordinate Voting Shares. A decline in the market prices of the Subordinate Voting Shares could impair the Corporation's ability to raise additional capital through the sale of securities should it desire to do so.

### **Volatile market price for the Subordinate Voting Shares**

The market price for the Subordinate Voting Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which will be beyond the Corporation's control, including, but not limited to, the following:

- actual or anticipated fluctuations in the Corporation's quarterly results of operations;
- recommendations by securities research analysts;
- changes in the economic performance or market valuations of companies in the cannabis industry;
- addition or departure of the Corporation's executive officers and other key personnel;
- release or expiration of transfer restrictions on the issued and outstanding shares of the Corporation;
- regulatory changes affecting the cannabis industry generally and the business and operations of the Corporation;
- announcements of developments and other material events by the Corporation or its competitors;
- fluctuations to the costs of vital production materials and services;
- changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving the Corporation or its competitors;
- operating and share price performance of other companies that investors deem comparable to the

- Corporation or from a lack of market comparable companies; and
- news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in the Corporation's industry or target markets.

Financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of the Subordinate Voting Shares may decline even if the Corporation's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, the Corporation's operations could be adversely impacted, and the trading price of the Subordinate Voting Shares may be materially adversely affected.

### **Liquidity**

The Corporation cannot predict at what prices the Subordinate Voting Shares of the Corporation will trade and there can be no assurance that an active trading market will develop or be sustained. There is a significant liquidity risk associated with an investment in the Corporation.

### **The Corporation is a Holding Company**

The Corporation will be a holding company and essentially all of its assets are the capital stock of its subsidiary, Trulieve, Inc. As a holding company, the Corporation conducts substantially all of its business through Trulieve, Inc., which generates substantially all of its revenues. Consequently, the Corporation's cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of Trulieve, Inc. and the distribution of those earnings to the Corporation. The ability of Trulieve, Inc. to pay dividends and other distributions will depend on its operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by a subsidiary company and contractual restrictions contained in the instruments governing any current or future indebtedness of Trulieve, Inc. In the event of a bankruptcy, liquidation or reorganization of Trulieve, Inc., holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of Trulieve, Inc. before the Corporation.

### **Litigation**

The Corporation may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Corporation becomes involved be determined against the Corporation, such a decision could adversely affect the Corporation's ability to continue operating and the market price for the Subordinate Voting Shares. Even if the Corporation is involved in litigation and wins, litigation can redirect significant company resources.

### **Community Redevelopment Agency Investigation**

In 2015, the United States Grand Jury for the North District of Florida began an investigation in to alleged corruption by local officials in Tallahassee, Florida. In June 2017, the grand jury issued subpoenas to the City of Tallahassee and the Community Redevelopment Agency (the "**Agency**") for records of communications, bids for proposals, applications, and more from approximately two dozen business entities and individuals, including Ms. Rivers, the Chief Executive Officer of the Corporation, her cohabitant, J.T. Burnette, and Inkbridge LLC, a business associated with Ms. Rivers. The grand jury also directly subpoenaed Ms. Rivers for information related to her involvement with the Agency, a specific commissioner of the Agency, and political contributions Ms. Rivers made through an associated business. Ms. Rivers timely complied with the subpoena. Ms. Rivers has not been charged with any crime. No information was requested of Ms. Rivers in her capacity as an officer, director or employee of the Corporation. Ms. Rivers promptly disclosed the subpoena to the Board and agreed to notify the Board of

further developments. Upon disclosure, the Board met independently to consider the matter, the allegations raised thereunder and Ms. Rivers' response to same. In addition, a member of the Board retained counsel to investigate the matter. Based on such review, counsel to the Board member concluded Ms. Rivers was not a target<sup>3</sup> of the investigation. The Board considered the impact of any potential liability in allowing Ms. Rivers to continue as Chief Executive Officer of the Corporation in the face of the investigation and determined that no independent, formal investigation or further action was warranted at the time based on its understanding of the facts as represented by Ms. Rivers. The Corporation remains confident the investigation does not relate to the Corporation or Ms. Rivers' conduct as a director, officer or employee thereof and believes that Ms. Rivers has complied with all requests made of her to date pursuant to the investigation. The investigation however remains ongoing. While there can be no assurances given with respect to the outcome of the investigation, no government official has contacted Ms. Rivers or the Corporation as part of the investigation since Ms. Rivers produced documents in response to the subpoena in June, 2017. Ms. Rivers' counsel contacted the federal prosecutor supervising the investigation in July, 2018, who stated Ms. Rivers was currently not a target of the investigation. The Corporation does not know what impact, if any, this investigation will have on the Corporation's future efforts to maintain and obtain licenses in Florida or elsewhere. Any negative impact on the Corporation's Florida license could have a material adverse effect on the Corporation's business, revenues, operating results and financial condition. It is the Corporation's goal to create patients loyal to the Corporation's brand and in return to provide these patients a superior level of customer service and product selection. Any allegation of wrong doing on the part of Ms. Rivers as a result of the Agency investigation could harm the Corporation's reputation with its customers and could have a material adverse effect on the Corporation's business, revenues, operating results and financial condition as well as the Corporation's reputation, even if the Agency investigation was concluded successfully in favour of Ms. Rivers.

In addition, in the event the Agency investigation results in any allegation of wrongdoing or otherwise further targets Ms. Rivers, Ms. Rivers may be unable to continue serving as Chief Executive Officer and director of the Corporation. Qualified individuals within the cannabis industry are in high demand and the Corporation may incur significant costs to attract and retain qualified management personnel. The loss of the services of Ms. Rivers, or an inability to attract other suitably qualified persons when needed, could have a material adverse effect on the Corporation's ability to execute on its business plan and strategy, and the Corporation may be unable to find an adequate replacement on a timely basis. Upon the occurrence of certain events that would be considered to negatively impact Ms. Rivers' involvement with the Corporation, including her becoming a target of the investigation, Ms. Rivers has agreed to convert any Super Voting Shares controlled by her into Multiple Voting Shares.

## **Management of Growth**

The Corporation may be subject to growth-related risks, including capacity constraints and pressure on its internal systems and controls. The ability of the Corporation to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Corporation to deal with this growth may have a material adverse effect on the Corporation's business, financial condition, results of operations or prospects.

## **Increased Costs as a Result of Being a Public Company**

As a public issuer, the Corporation is subject to the reporting requirements and rules and regulations under the applicable Canadian securities laws and rules of any stock exchange on which the Corporation's securities may be listed from time to time. Additional or new regulatory requirements may be adopted in the future. The requirements of existing and potential future rules and regulations will increase the Corporation's legal, accounting and financial compliance costs, make some activities more

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<sup>3</sup> A "target" is a person as to whom the prosecutor or the grand jury has substantial evidence linking him or her to the commission of a crime and who, in the judgment of the prosecutor, is a putative defendant. <https://www.justice.gov/usam/usam-9-11000-grand-jury#9-11.151>



difficult, time-consuming or costly and may also place undue strain on its personnel, systems and resources, which could adversely affect its business, financial condition, and results of operations.

### **Conflicts of Interest**

Certain of the directors and officers of the Corporation are, or may become directors and officers of other companies, and conflicts of interest may arise between their duties as directors and officers of the Corporation and as directors and officers of such other companies.

### **The Corporation currently has insurance coverage; however, because the Corporation operates within the cannabis industry, there are additional difficulties and complexities associated with such insurance coverage**

The Corporation believes will have insurance coverage with respect to workers' compensation, general liability, directors' and officers' insurance, fire and other similar policies customarily obtained for businesses to the extent commercially appropriate; however, because the Corporation is engaged in and operates within the cannabis industry, there are exclusions and additional difficulties and complexities associated with such insurance coverage that could cause the Corporation to suffer uninsured losses, which could adversely affect the Corporation's business, results of operations, and profitability. There is no assurance that the Corporation will be able to obtain insurance coverage at a reasonable cost or fully utilize such insurance coverage, if necessary.

### **The Corporation is reliant on key inputs, such as water and utilities, and any interruption of these services could have a material adverse effect on the Corporation's finances and operation results**

The Corporation's business is dependent on a number of key inputs and their related costs including raw materials and supplies related to its growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition and operating results of the Corporation. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition and operating results of the Corporation.

### **Difficulty in Enforcing Judgments and Effecting Service of Process on Directors and Officers**

The directors and officers of the Corporation reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for Corporation shareholders to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for Corporation shareholders to effect service of process within Canada upon such persons.

### **General economic risks**

The Corporation's operations could be affected by the economic context should the unemployment level, interest rates or inflation reach levels that influence consumer trends and spending and, consequently, impact the Corporation's sales and profitability.

## **DIVIDENDS AND DISTRIBUTIONS**

The Corporation has not declared distributions on Subordinate Voting Shares in the past. The Corporation currently intends to reinvest all future earnings to finance the development and growth of its business. As a result, the Corporation does not intend to pay dividends on Subordinate Voting Shares in the foreseeable future. Any future determination to pay distributions will be at the discretion of the board of directors of the Corporation ("**Board**") and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of distributions and any other factors that the Board deems relevant. The Corporation is not bound or limited

in any way to pay dividends in the event that the Board determined that a dividend was in the best interest of its shareholders.

## DESCRIPTION OF CAPITAL STRUCTURE

### Description of the Corporation's Securities

The Corporation is authorized to issue an unlimited number of Subordinate Voting Shares, an unlimited number of Multiple Voting Shares and an unlimited number of Super Voting Shares. The outstanding capital of the Corporation as at October 5, 2018 consists of: (i) 9,468,109 Subordinate Voting Shares; (ii) 150,961.91 Multiple Voting Shares, and (iii) 852,466 Super Voting Shares.

### Take-Over Bid Protection

Under applicable Canadian law, an offer to purchase Super Voting Shares would not necessarily require that an offer be made to purchase Subordinate Voting Shares or Multiple Voting Shares. In accordance with the rules applicable to most senior issuers in Canada, in the event of a take-over bid, the holders of Subordinate Voting Shares or of Multiple Voting Shares will be entitled to participate on an equal footing with holders of Super Voting Shares. The Principals, as the owners of all the outstanding Super Voting Shares, have entered into a customary coattail agreement with the Corporation and a trustee (the "**Coattail Agreement**"). The Coattail Agreement contains provisions customary for dual class, listed corporations designed to prevent transactions that otherwise would deprive the holders of Subordinate Voting Shares or of Multiple Voting Shares of rights under applicable provincial take-over bid legislation to which they would have been entitled if the Super Voting Shares had been Subordinate Voting Shares or Multiple Voting Shares.

The undertakings in the Coattail Agreement will not apply to prevent a sale by any Principal of Super Voting Shares if concurrently an offer is made to purchase Subordinate Voting Shares and Multiple Voting Shares that:

- (i) offers a price per Subordinate Voting Share or Multiple Voting Share (on an as converted to Subordinate Voting Share basis) at least as high as the highest price per share paid pursuant to the take-over bid for the Super Voting Shares (on an as converted to Subordinate Voting Share basis);
- (ii) provides that the percentage of outstanding Subordinate Voting Shares or Multiple Voting Shares to be taken up (exclusive of shares owned immediately prior to the offer by the offeror or persons acting jointly or in concert with the offeror) is at least as high as the percentage of Super Voting Shares to be sold (exclusive of Super Voting Shares owned immediately prior to the offer by the offeror and persons acting jointly or in concert with the offeror);
- (iii) has no condition attached other than the right not to take up and pay for Subordinate Voting Shares or Multiple Voting Shares tendered if no shares are purchased pursuant to the offer for Super Voting Shares; and
- (iv) is in all other material respects identical to the offer for Super Voting Shares.

In addition, the Coattail Agreement will not prevent the transfer of Super Voting Shares by a Principal to a Permitted Holder (as defined below). The conversion of Super Voting Shares into Multiple Voting Shares, whether or not such Multiple Voting Shares are subsequently sold or converted into Subordinate Voting Shares, would not constitute a disposition of Super Voting Shares for the purposes of the Coattail Agreement.

Under the Coattail Agreement, any disposition of Super Voting Shares (including a transfer to a pledgee as security) by a holder of Super Voting Shares party to the agreement is conditional upon the transferee or pledgee becoming a party to the Coattail Agreement, to the extent such transferred Super Voting Shares are not automatically converted into Multiple Voting Shares in accordance with the Articles.

The Coattail Agreement contains provisions for authorizing action by the trustee to enforce the rights under the Coattail Agreement on behalf of the holders of the Subordinate Voting Shares or of the Multiple Voting Shares. The obligation of the trustee to take such action is conditional on the Corporation or holders of the Subordinate Voting Shares or of the Multiple Voting Shares, as the case may be, providing such funds and indemnity as the trustee may require. No holder of Subordinate Voting Shares or of Multiple Voting Shares, as the case may be, has the right, other than through the trustee, to institute any action or proceeding or to exercise any other remedy to enforce any rights arising under the Coattail Agreement unless the trustee fails to act on a request authorized by holders of not less than 10% of the outstanding Subordinate Voting Shares or of Multiple Voting Shares, as the case may be, and reasonable funds and indemnity have been provided to the trustee. The Corporation has agreed to pay the reasonable costs of any action that may be taken in good faith by holders of Subordinate Voting Shares or of Multiple Voting Shares, as the case may be, pursuant to the Coattail Agreement.

The Coattail Agreement may not be amended, and no provision thereof may be waived, unless, prior to giving effect to such amendment or waiver, the following have been obtained: (a) the consent of any applicable securities regulatory authority in Canada and (b) the approval of at least 66-2/3% of the votes cast by holders of Subordinate Voting Shares and 66-2/3% of the votes cast by holders of Multiple Voting Shares excluding votes attached to Subordinate Voting Shares and to Multiple Voting Shares, if any, held by the Principal Shareholders, their affiliates and any persons who have an agreement to purchase Super Voting Shares on terms which would constitute a sale or disposition for purposes of the Coattail Agreement other than as permitted thereby.

No provision of the Coattail Agreement limits the rights of any holders of Subordinate Voting Shares or of Multiple Voting Shares under applicable law.

#### Subordinate Voting Shares (formerly, Common Shares of the Corporation)

**Voting Rights.** Holders of the Subordinate Voting Shares are entitled to notice of and to attend any meeting of the shareholders of the Corporation, except a meeting of which only holders of another particular class or series of shares of the Corporation shall have the right to vote. At each such meeting holders of Subordinate Voting Shares shall be entitled to one vote in respect of each Subordinate Voting Share held.

**Alteration to Rights of Subordinate Voting Shares.** As long as any Subordinate Voting Shares remain outstanding, the Corporation may not, without the consent of the holders of the Subordinate Voting Shares by separate special resolution, prejudice or interfere with any right or special right attached to the Subordinate Voting Shares.

**Dividends.** Holders of Subordinate Voting Shares are entitled to receive as and when declared by the directors, dividends in cash or property of the Corporation. No dividend will be declared or paid on the Subordinate Voting Shares unless the Corporation simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Multiple Voting Shares and Super Voting Shares.

**Liquidation, Dissolution or Winding-Up.** In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, the holders of Subordinate Voting Shares are, subject to the prior rights of the holders of any shares of the Corporation ranking in

priority to the Subordinate Voting Shares, entitled to participate rateably along with all other holders of Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis), Subordinate Voting Shares and Super Voting Shares (on an as-converted to Subordinate Voting Share basis).

**Rights to Subscribe; Pre-Emptive Rights.** Holders of Subordinate Voting Shares are not entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, or bonds, debentures or other securities of the Corporation now or in the future.

**Subdivision or Consolidation.** No subdivision or consolidation of the Subordinate Voting Shares, Multiple Voting Shares or Super Voting Shares shall occur unless, simultaneously, the Subordinate Voting Shares, Multiple Voting Shares and Super Voting Shares are subdivided or consolidated in the same manner or such other adjustment is made so as to maintain and preserve the relative rights of the holders of the shares of each of the said classes.

#### Super Voting Shares

**Voting Rights.** Holders of Super Voting Shares are entitled to notice of and to attend at any meeting of the shareholders of the Corporation, except a meeting of which only holders of another particular class or series of shares of the Corporation shall have the right to vote. At each such meeting, holders of Super Voting Shares are be entitled to two votes in respect of each Subordinate Voting Share into which such Super Voting Share could ultimately then be converted (initially, 200 votes per Super Voting Share).

**Alteration to Rights of Super Voting Shares.** As long as any Super Voting Shares remain outstanding, the Corporation may not, without the consent of the holders of the Super Voting Shares by separate special resolution, prejudice or interfere with any right or special right attached to the Super Voting Shares. Consent of the holders of a majority of the outstanding Super Voting Shares is required for any action that authorizes or creates shares of any class having preferences superior to or on a parity with the Super Voting Shares. In connection with the exercise of the voting rights in respect of any proposed alteration of rights, each holder of Super Voting Shares has one vote in respect of each Super Voting Share held.

**Dividends.** Holders of Super Voting Shares have the right to receive dividends, out of any cash or other assets legally available therefor, pari passu (on an as converted to Subordinated Voting Share basis) as to dividends and any declaration or payment of any dividend on the Subordinate Voting Shares. No dividend is to be declared or paid on the Super Voting Shares unless the Corporation simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Subordinate Voting Shares and Multiple Voting Shares.

**Liquidation, Dissolution or Winding-Up.** In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, holders of Super Voting Shares are, subject to the prior rights of the holders of any shares of the Corporation ranking in priority to the Super Voting Shares, entitled to participate rateably along with all other holders of Super Voting Shares (on an as-converted to Subordinate Voting Share basis), Subordinate Voting Shares and Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis).

**Rights to Subscribe; Pre-Emptive Rights.** Holders of Super Voting Shares are not entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, or bonds, debentures or other securities of the Corporation now or in the future.

**Conversion.** Holders of Super Voting Shares Holders have the following conversion rights (the “**Conversion Rights**”):

- (i) **Right to Convert.** Each Super Voting Share is convertible, at the option of the holder thereof, at any time after the date of issuance of such share at the office of the Corporation or any transfer agent for such shares, into such number of fully paid and non-assessable Multiple

Voting Shares as is determined by multiplying the number of Super Voting Shares by the Conversion Ratio applicable to such share, determined as hereafter provided, in effect on the date the Super Voting Share is surrendered for conversion. The initial “**Conversion Ratio**” for the Super Voting Shares is one Multiple Voting Share for each Super Voting Share, subject to adjustment in certain events.

- (ii) **Automatic Conversion.** A Super Voting Share will automatically be converted (without further action by the holder thereof) into one Multiple Voting Share upon the transfer by the holder thereof to anyone other than another Initial Holder, an immediate family member of an Initial Holder or a transfer for purposes of estate or tax planning to a company or person that is wholly beneficially owned by an Initial Holder or immediate family members of an Initial Holder or which an Initial Holder or immediate family members of an Initial Holder are the sole beneficiaries thereof (the “**Transfer Conversion**”). In addition, each Super Voting Share held by a particular Initial Holder will automatically be converted without further action by the holder thereof into Multiple Voting Shares at the Conversion Ratio for each Super Voting Share held if at any time the aggregate number of issued and outstanding Super Voting Shares beneficially owned, directly or indirectly, by that Initial Holder and that Initial Holder’s predecessor or transferor, permitted transferees and permitted successors, divided by the number of Super Voting Shares beneficially owned, directly or indirectly, by that Initial Holder (and the Initial Holder’s predecessor or transferor, permitted transferees and permitted successors) as at the date of completion of the Business Combination is less than 50% (the “**Threshold Conversion**”). Each Super Voting Share will also automatically be converted (the “**Sunset Conversion**” and together with the Transfer Conversion and Threshold Conversion, the “**SVS Mandatory Conversion**”), without further action by the holder thereof, into Multiple Voting Shares at the Conversion Ratio for each Super Voting Share held on the date that is 30 months following the closing of the Transaction.
- (iii) **Anti-Dilution.** The Super Voting Shares are subject to standard anti-dilution adjustments in the event the Corporation declares a distribution to holders of Multiple Voting Shares, effects a recapitalization of the Multiple Voting Shares, issues Multiple Voting Shares as a dividend or other distribution on outstanding Multiple Voting Shares, or subdivides or consolidates the outstanding Multiple Voting Shares.
- (iv) **No Fractional Shares and Certificate as to Adjustments.** No fractional Multiple Voting Shares shall be issued upon the conversion of any share or shares of Super Voting Shares and the number of Multiple Voting Shares to be issued shall be rounded up to the nearest whole Multiple Voting Share.

#### Multiple Voting Shares

**Voting Rights.** Holders of Multiple Voting Shares are entitled to notice of and to attend at any meeting of the shareholders of the Corporation, except a meeting of which only holders of another particular class or series of shares of the Corporation have the right to vote. At each such meeting, holders of Multiple Voting Shares are entitled to one vote in respect of each Subordinate Voting Share into which such Multiple Voting Share could ultimately then be converted (initially, 100 votes per Multiple Voting Share).

**Alteration to Rights of Multiple Voting Shares.** As long as any Multiple Voting Shares remain outstanding, the Corporation may not, without the consent of the holders of the Multiple Voting Shares and Super Voting Shares by separate special resolution, prejudice or interfere with any right or special right attached to the Multiple Voting Shares. In connection with the exercise of the voting rights relating to any proposed alteration of rights, each holder of Multiple Voting Shares has one vote in respect of each Multiple Voting Share held.

**Dividends.** Holders of Multiple Voting Shares have the right to receive dividends, out of any cash or other assets legally available therefor, *pari passu* (on an as converted basis, assuming conversion of all Multiple Voting Shares into Subordinate Voting Shares at the Conversion Ratio) as to dividends and any

declaration or payment of any dividend on the Subordinate Voting Shares. No dividend may be declared or paid on the Multiple Voting Shares unless the Corporation simultaneously declares or pays, as applicable, equivalent dividends (on an as-converted to Subordinate Voting Share basis) on the Subordinate Voting Shares and Super Voting Shares.

**Liquidation, Dissolution or Winding-Up.** In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or in the event of any other distribution of assets of the Corporation among its shareholders for the purpose of winding up its affairs, holders of Multiple Voting Shares, subject to the prior rights of the holders of any shares of the Corporation ranking in priority to the Multiple Voting Shares, are entitled to participate rateably along with all other holders of Multiple Voting Shares (on an as-converted to Subordinate Voting Share basis), Subordinate Voting Shares and Super Voting Shares (on an as-converted to Subordinate Voting Share basis).

**Rights to Subscribe; Pre-Emptive Rights.** Holders of Multiple Voting Shares are not entitled to a right of first refusal to subscribe for, purchase or receive any part of any issue of Subordinate Voting Shares, or bonds, debentures or other securities of the Corporation now or in the future.

**Conversion.** Subject to the Conversion Restrictions described below, holders of Multiple Voting Shares Holders have the following conversion rights (the “**Conversion Rights**”):

- (i) **Right to Convert.** Each Multiple Voting Share is convertible, at the option of the holder thereof, at any time after the date of issuance of such share, into such number of fully paid and non-assessable Subordinate Voting Shares as is determined by multiplying the number of Multiple Voting Shares by the Conversion Ratio applicable to such share in effect on the date the Multiple Voting Share is surrendered for conversion. The initial “**Conversion Ratio**” for Multiple Voting Shares is 100 Subordinate Voting Shares for each Multiple Voting Share, subject to adjustment in certain events.
- (ii) **Conversion Limitations.** The Corporation is to use commercially reasonable efforts to maintain its status as a “foreign private issuer” (as determined in accordance with Rule 3b-4 under the Exchange Act. Accordingly, the Corporation shall not affect any conversion of Multiple Voting Shares, and holders of Multiple Voting Shares may not convert any portion of the Multiple Voting Shares to the extent that after giving effect to all permitted issuances after such conversions of Multiple Voting Shares, the aggregate number of Subordinate Voting Shares, Super Voting Shares and Multiple Voting Shares held of record, directly or indirectly, by U.S. Residents would exceed 40% (the “**40% Threshold**”) of the aggregate number of Subordinate Voting Shares, Super Voting Shares and Multiple Voting Shares issued and outstanding after giving effect to such conversions (the “**FPI Protective Restriction**”); provided the Board may, by resolution, increase the 40% Threshold to an amount not to exceed 50%.
- (iii) **Mandatory Conversion.** The Corporation may require each holder of Multiple Voting Shares (including any holder of Multiple Voting Shares issued upon conversion of the Super Voting Shares) to convert all, and not less than all, the Multiple Voting Shares at the applicable Conversion Ratio if at any time all the following conditions are satisfied (or otherwise waived by special resolution of holders of Multiple Voting Shares):
  - (A) the Subordinate Voting Shares issuable upon conversion of all the Multiple Voting Shares are registered for resale and may be sold by the holder thereof pursuant to an effective registration statement and/or prospectus covering the Subordinate Voting Shares under the United States Securities Act of 1933, as amended;
  - (B) the Corporation is subject to the reporting requirements of Section 13 or 15(d) of the United States Exchange Act of 1934, as amended; and

- (C) the Subordinate Voting Shares are listed or quoted (and are not suspended from trading) on a recognized North American stock exchange or by way of reverse takeover transaction on the Toronto Stock Exchange, the TSX Venture Exchange, the CSE or Aequitas NEO Exchange (or any other stock exchange recognized as such by the Ontario Securities Commission).
- (iv) **Anti-Dilution.** The Multiple Voting Shares are subject to standard anti-dilution adjustments in the event the Corporation declares a distribution to holders of Subordinate Voting Shares, effects a recapitalization of the Subordinate Voting Shares, issues Subordinate Voting Shares as a dividend or other distribution on outstanding Subordinate Voting Shares, or subdivides or consolidates the outstanding Subordinate Voting Shares.
- (v) **No Fractional Shares and Certificate as to Adjustments.** No fractional Subordinate Voting Shares shall be issued upon the conversion of any share or shares of Multiple Voting Shares and the number of Subordinate Voting Shares to be issued shall be rounded up to the nearest whole Subordinate Voting Share.

## MARKET FOR SECURITIES

### Trading Price and Volume

The Subordinate Voting Shares of the Corporation are listed on the CSE under the symbol “TRUL”. The pre-Transaction common shares of Schyan were not listed or posted for trading on any stock exchange.

The following table sets out trading information for the Subordinate Voting Shares from September 25, 2018 (the date of their initial trading on the CSE) up to the date of this AIF.<sup>†</sup>

Period	High Trading Price (C\$)	Low Trading Price	Volume (#)
2018			
<b>September 25 - 28, 2018</b>	\$16.00	\$9.51	5,880,000
<b>October 1 – 5, 2018</b>	\$23.85	\$16.00	10,676,140

Note:

1. Source: TMX Money

### Prior Sales of Unlisted Securities

In connection with the Transaction on September 18, 2018, 170,102.50 Multiple Voting Shares and 852,466 Super Voting Shares were issued at a deemed value of C\$600 per share.

### ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

The Corporation is not subject to escrow requirements under the policies of the CSE. Directors, officers and significant shareholders of the Corporation entered into lock-up agreements pursuant to which such parties have agreed, subject to customary carve-outs and exceptions, not to sell any Multiple Voting Shares or Super Voting Shares (or announce any intention to do so), or any securities issuable in exchange therefore, for a period of 180 days from the date of the Transaction.

## DIRECTORS AND OFFICERS

The Articles of the Corporation provide for a minimum of one director and a maximum of 10

directors. Shareholders of the Corporation have authorized the directors of the Corporation, by resolution, to determine the number of directors within the minimum and maximum number of directors set out in the Articles. Each director holds office until the close of the next annual general meeting of the Corporation, or until his or her successor is duly elected or appointed, unless his or her office is earlier vacated. The Board currently consists of six directors, of whom two can be defined as an “unrelated director” or a director who is independent of management and is free from any interests and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director’s ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholders, and do not have interests in or relationships with the Corporation.

The following table lists the names, municipalities of residence of the directors and officers of the Corporation, their positions and offices held with the Corporation, their principal occupations during the past five years and the number of securities of the Corporation that are beneficially owned, directly or indirectly, or over which control or direction will be exercised by each as at the date of this AIF.

Name, Municipality of Residence and Position Held	Principal Occupation for Past Five Years	Trulieve Director or Officer Since	Number and Percentage of Super Voting Shares, Multiple Voting Shares (as applicable) Beneficially Owned or Controlled	Subordinate Voting Shares (as applicable) Beneficially Owned or Controlled <sup>(1)</sup>
<b>Kim Rivers</b> <b>Tallahassee,</b> <b>Florida</b> <b>Chief Executive Officer,</b> <b>Chairman and Director</b>	Lawyer, business owner, CEO of Trulieve	November, 2015	159,867 Super Voting Shares 5,802 Multiple Voting Shares <sup>(2)</sup>	16,566,900
<b>Mohan Srinivasan</b> <b>Clearwater,</b> <b>Florida</b> <b>Chief Financial Officer</b>	Chief Financial Officer, Consultant	June, 2018	Nil	8,668
<b>Kevin Darmody</b> <b>Palm Harbor,</b> <b>Florida</b> <b>Investor Relations</b>	Banker	April, 2018	Nil	21,670
<b>Jason Pernel</b> <b>Tallahassee,</b> <b>Florida</b> <b>Chief Information Officer</b>	Co-Founder SACS, LLC, Co-Founder 3Jays, LLC and Co-Founder G-% Engineering Solutions	November, 2015	48,752 Super Voting Shares <sup>(3)</sup>	4,875,227



<b>Thomas Craig Kirkland Tallahassee, Florida Research and Development Manager</b>	Co-Founder SACS, LLC, Co-Founder 3Jays, LLC and Co-Founder G-% Engineering Solutions	November, 2015	46,286 Super Voting Shares <sup>(4)</sup>	4,628,593
<b>Kenneth Brummel-Smith Tallahassee, Florida Medical Director</b>	Professor and Public Speaker	June, 2016	Nil	520
<b>Robert Spurgeon Tallahassee, Florida Processing Manager</b>	Pharmaceutical Operations Manager	February, 2018	Nil	Nil
<b>Victoria Walker Safety Harbor, Florida Marketing Manager</b>	Director of Marketing and Community Relations Manager	July, 2016	82 Multiple Voting Shares <sup>(5)</sup>	8,200
<b>Steven Ferrell Tallahassee, Florida Senior Human Resources Director</b>	Human Resources Director	November, 2017	Nil	8,668
<b>Jordan Atkins Clearwater, Florida Head of Dispensary Operations</b>	Dispensary Operations	March, 2016	43,160 Multiple Voting Shares <sup>(6)</sup>	4,316,000
<b>Kyle Landrum Tallahassee, Florida Cultivation Manager</b>	Management & Cultivation Manager	October, 2017	Nil	8,668
<b>Ben Atkins Clearwater, Florida Director</b>	Chairman of Nursing Home Management Co.	November, 2017	112,333 Super Voting Shares 2,152 Multiple Voting Shares <sup>(7)</sup>	11,233,300
<b>Thad Beshears Monticello, Florida</b>	Co-Owner and COO of Simpson Nurseries	November, 2015	150,000 Super Voting Shares 2,968 Multiple	15,000,000

Director			Voting Shares <sup>(8)</sup>	
<b>George Hackney Quincy, Florida Director</b>	President and Owner of Hackney Nursery	November, 2015	28,026.6 Super Voting Shares 501 Multiple Voting Shares <sup>(9)</sup>	2,802,660
<b>Richard May Quincy, Florida Director</b>	General Manager and Sales Manager of May Nurseries	November 2015	18,750 Super Voting Shares 127 Multiple Voting Shares <sup>(10)</sup>	1,875,150
<b>Michael J. O'Donnell, Sr. New Smyrna Beach, Florida Director</b>	Executive Director of Office of Innovation and Entrepreneurship at University of Central Florida	June, 2018	41,339 Super Voting Shares <sup>(11)</sup>	4,135,325

Notes:

- (1) On an as-if converted basis
- (2) Includes indirect Share ownership through Traunch Four, LLC, Clearwater GCP, LLC
- (3) Share Ownership through Kopus, LLC
- (4) Indirect Share ownership through Kopus, LLC
- (5) Share ownership through Track V, LLC
- (6) Indirect Share ownership through Clearwater GCP
- (7) Indirect Share ownership through Track V, LLC, Clearwater GCP, LLC
- (8) Indirect Share ownership through Traunch Four
- (9) Indirect Share ownership through Telogia Pharm ,LLC, Traunch Four, LLC
- (10) Indirect Share ownership through Shade Leaf Holding, LLC, Traunch Four, LLC
- (11) Indirect Share ownership through Kopus, LLC
- (12) Member of the Audit Committee
- (13) Member of the Compensation Committee

All of the directors of the Corporation have been appointed to hold office until the next annual general meeting of shareholders or until their successors are duly elected or appointed, unless their office is earlier vacated.

As at the date of this AIF, all directors, officers and Insiders, as a group, beneficially own, directly or indirectly, the following shares of the Corporation: (i) 0 Subordinate Voting Shares or 0% (non-diluted); (ii) 54,792 Multiple Voting Shares or approximately 32% (non-diluted); and 605,354 Super Voting Shares or approximately 71% non-diluted.

### Board Committees

The Corporation currently has an audit committee and compensation committee. A brief description of each committee is set out below. The directors of the Corporation intend to establish such committees of the board, as determined to be appropriate, in addition to the audit committee and compensation committee.

### Compensation Committee

The Compensation Committee assists the Board in fulfilling its responsibilities for compensation philosophy and guidelines, and fixing compensation levels for the Resulting Issuer's executive officers.

In addition, the compensation committee is charged with reviewing the New Stock Option Plan and proposing changes thereto, approving any awards of options under the New Stock Option Plan and recommending any other employee benefit plans, incentive awards and perquisites with respect to the Resulting Issuer's executive officers. The Compensation Committee is also responsible for reviewing, approving and reporting to the Board annually (or more frequently as required) on the Resulting Issuer's succession plans for its executive officers.

The members of the Compensation Committee include the following three directors: Benjamin Atkins, Richard May and Michael O'Donnell.

### **Corporate Cease Trade Orders or Bankruptcies; Penalties or Sanctions; Personal Bankruptcies**

No director or officer of the Corporation or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is, or within 10 years before the date of this AIF has been, a director or officer of any other company that, while the person was acting in that capacity:

- (a) was the subject of a cease trade or similar order, or an order that denied the other Issuer access to any exemptions under Ontario securities law, for a period of more than 30 consecutive days;
- (b) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
- (c) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (d) within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

### **Penalties and Sanctions**

No director or officer of the Corporation, or shareholder holding a sufficient number of shares of the Corporation to affect materially the control of the Corporation, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### **Personal Bankruptcies**

Other than as disclosed below, no director or officer of the Corporation, or a shareholder holding sufficient securities of the Corporation to affect materially the control of the Corporation, or a personal holding company of any such persons has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or officer.

Mr. Ben Atkins, a director of the Resulting Issuer, was declared bankrupt under Chapter 13 of the Bankruptcy Code (United States) in 1998. An order discharging Mr. Atkins was granted on August 24, 1999.

## **Conflicts of Interest**

Conflicts of interest may arise as a result of the directors, officers and promoters of the Corporation also holding positions as directors or officers of other companies. Some of the individuals that are directors and officers of the Corporation have been and will continue to be engaged in the identification and evaluation of assets, businesses and companies on their own behalf and on behalf of other companies, and situations may arise where the directors and officers of the Corporation will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies provided under BCBCA.

## **Management**

Brief Descriptions of the biographies of the directors and officers of the Corporation are set out below:

### *Kim Rivers - Chief Executive Officer and Chairman of the Board (Age 40)*

Ms. Rivers received her Bachelor's degree in Multinational Business and Political Science from Florida State University and her Juris Doctorate from the University of Florida. Ms. Rivers is a member of the Georgia Bar association and she spent several years in private practice as a lawyer where she specialized in mergers, acquisitions, and securities for multi-million dollar companies. For over a decade, Ms. Rivers has run numerous successful businesses from real estate to finance.

### *Mohan Srinivasan - Chief Financial Officer (Age 65)*

Mr. Srinivasan has over 35 years of experience in various areas of finance and accounting and is a versatile senior financial leader in both public and private companies. He has served as Chief Financial Officer for over 12 years with such high growth companies as AINS, Inc., ARA Inc., PPIC Ltd., and Household Financial Toronto where he assisted with strategic planning, capital raise, IPO preparation, governance, and public company reporting. Mr. Srinivasan earned a Master of Business Administration degree from the University of Toronto and has active CPA license in Florida and Ontario, Canada. He is also a qualified corporate director with ICD.D designation from the Institute of Corporate Directors of Canada. Mr. Srinivasan began working for the company in June, 2018, is a full-time employee and has signed a non-disclosure agreement with Trulieve. Prior to joining Trulieve, Mr. Srinivasan had no experience working in the cannabis industry.

### *Kevin Darmody - Investor Relations (Age 60)*

Mr. Darmody received his Bachelor of Science in Biology from Dickinson College. He served in various senior management roles with Bear Stearns for 29 years and, more recently, with JPMorgan Chase & Co, and Bank Leumi. His achievements include creating and leading a successful, innovative start-up bank in a market-driven, fast-paced, client-focused culture. While serving as the bank's Chief Operating Officer and Chief Lending Officer, Mr. Darmody created cash management tools and operational products for the bank's clients that were not readily available on the Street. Mr. Darmody began working for Trulieve in April 2018, is a full-time employee and has signed a non-disclosure agreement with the company. Prior to joining Trulieve, Mr. Darmody had no experience working in the cannabis industry.

### *Jason Pernell - Chief Information Officer (Age 41)*

Mr. Pernell is an experienced medical marijuana business owner in both California and Oregon. Mr. Pernell earned his Masters of Business Administration Degree from Florida State University after receiving his Bachelor of Science Degree in Electrical engineering. For the past decade, Mr. Pernell has owned and operated successful engineering consulting firms. Additionally, Mr. Pernell has operated several cannabis companies including SACS and 3Jays. Mr. Pernell is a founder and began working for Trulieve in November, 2015, is a full-time employee and has signed a non-disclosure agreement with Trulieve.

*Craig Kirkland - Research and Development Manager (Age 55)*

Craig Kirkland is currently the manager of IR&D at Trulieve where he directs internal research and development. Mr. Kirkland has led the development of all Trulieve extraction, manufacturing, and medical products. Prior to joining Trulieve, Mr. Kirkland co-founded G5 Engineering Solutions and served as its Chief Technology Officer. Other work experiences include acting as the Vice President of Engineering at ELBIT Systems of America, Chief Engineer at Tallahassee Technologies, Engineering design lead at General Dynamics, and a rocket scientist at Lockheed Martin. Additionally, Mr. Kirkland has operated several cannabis companies including SACS and 3Jays. Mr. Kirkland holds a Bachelor of Science in Computer Science with a minor in Mathematics from Northeast Louisiana University and a Master of Science in Computer Science with an emphasis on Logic Design and Switching Theory from the Florida Institute of Technology. Mr. Kirkland is a founder and began working for Trulieve in November, 2015, is a full-time employee and has signed a non-disclosure agreement with Trulieve.

*Kenneth Brummel-Smith - Medical Director (Age 69)*

As Medical Director, Dr. Brummel-Smith advises Trulieve on medical issues involving cannabis products. He was first involved with cannabis products in Oregon with the legalization of medical cannabis under Oregon law. Dr. Brummel-Smith has spent a significant portion of his career treating and researching the aging and has served on numerous national boards. Dr. Brummel-Smith graduated from Loyola University in Los Angeles and received his MD from the University of Southern California. Dr. Brummel-Smith began working for Trulieve in June, 2016, is a part-time employee and has signed a non-disclosure agreement with Trulieve.

*Robert Spurgeon – Processing Manager (Age 47)*

Mr. Spurgeon is responsible for all processing operations with a focus on improving production efficiency and maintaining steady growth. He has extensive experience managing manufacturing processes in various industries, including the pharmaceutical field. Mr. Spurgeon holds a Bachelor of Science degree from Butler University. Mr. Spurgeon began working for Trulieve in February, 2018, is a full-time employee and has signed a non-disclosure agreement with the company. Prior to joining Trulieve, he has had no experience working in the cannabis industry.

*Jordan Atkins – Head of Dispensary Operations (Age 23)*

Mr. Atkins is responsible for managing the daily operations of Trulieve's dispensary system, including Trulieve's home delivery distribution network. Mr. Atkins works closely with production and processing to determine the inventory adequacy for all dispensaries. He began his career in California where he operated cannabis dispensaries. Mr. Atkins received his Bachelors of Science degree from the University of South Florida with a major in Health Science. Mr. Atkins is a founder and began working for Trulieve in March, 2016, is a full-time employee and has signed a non-disclosure agreement with Trulieve.

*Kyle Landrum – Cultivation Manager (Age 32)*

Mr. Landrum currently manages all aspects of the process of growing and harvesting cannabis plants. Additionally, Mr. Landrum plans the propagation pipeline and manages Trulieve's material acquisition activity. Mr. Landrum graduated from the University of Florida with a degree in Agriculture Economics and received his Master's degree in Agricultural Education. Mr. Landrum began working for Trulieve in October, 2017, is a full-time employee and has signed a non-disclosure agreement with Trulieve. Prior to joining Trulieve, Mr. Landrum had no experience working in the cannabis industry.

*Victoria Walker – Director of Marketing and Community Relations (Age 33)*

Ms. Walker began her career in sales across various media platforms then moved into a strategic marketing role responsible for developing customer-focused products and services, growing revenue and product profitability and expanding the customer base. Ms. Walker has also served as the Marketing and

Community Relations Director for a national long-term care company focused on hospital and community relations, census growth and clinical program development. She is a graduate of the University of Pittsburgh. Ms. Walker began working for Trulieve in July, 2016, is a full-time employee and has signed a non-disclosure agreement with Trulieve. Prior to joining Trulieve, Ms. Walker had no experience working in the cannabis industry.

*Steven Ferrell – Director of Human Resources (Age 48)*

Steven Ferrell is the Senior Human Resources Director at Trulieve. He previously served as Employee Relations Manager with GlaxoSmithKline in Durham, NC. Mr. Ferrell also served in Human Resources Management with Delhaize America, supporting manufacturing, supply chain, and retail for 11 years. Mr. Ferrell studied Spanish Language & Literature at North Carolina State University, and Human Resources Management at Duke University. Mr. Ferrell began working for Trulieve in November, 2017, is a full-time employee and has signed a non-disclosure agreement with Trulieve. Prior to joining Trulieve, Mr. Ferrell had no experience working in the cannabis industry.

*Ben Atkins - Director (Age 48)*

Mr. Atkins earned a Bachelor of Science and Master in Gerontology from the University of South Florida, in addition he has a Certified Master of Business Administration degree. Mr. Atkins has over 25 years of Healthcare Executive role experience. He is the majority owner of 35 senior health care facilities throughout the United States. Mr. Atkins has owned and managed several cannabis facilities in the State of California. Mr. Atkins is a founding member of Trulieve and serves on the Board.

*Thad Beshears - Director (Age 44)*

Mr. Beshears is the Co-Owner and Chief Operating Officer of Simpson Nurseries. He is responsible for all sales operations, production, and inventory tracking for the operation. Mr. Beshears is also the chief executive officer of Simpson Nurseries of Tennessee, where he develops and implements the company's strategic vision while monitoring the market for opportunities for growth and expansion. Mr. Beshears is a founding member of Trulieve and serves on the Board. Prior to working with Trulieve, he has had no experience working in the cannabis industry.

*George Hackney – Director (Age 63)*

Mr. Hackney is the President and Owner of the Hackney Nursery Company in Quincy, Florida. He has presided over all aspects of the operations of the company. Mr. Hackney has served on several agricultural industry associations' boards and has earned many honours for his commitment to the industry. Mr. Hackney is a founding member of Trulieve and serves on the Board. Prior to working with Trulieve, Mr. Hackney had no experience working in the cannabis industry.

*Richard May – Director (Age 41)*

Mr. May is the General Manager of May Nursery, Inc. where he also serves as the Sales Manager. He has sat on several agricultural industry boards. He has also served on the Gadsden County Chamber of Commerce Board, including a term as its chairman, as well as contributing to the general Gadsden County community. Mr. May graduated from Auburn University with Bachelor of Science degrees in Agricultural Economics and Horticulture. Mr. May is a founding member of Trulieve and serves on the Board. Prior to working with Trulieve, Mr. May had no experience working in the cannabis industry.

*Michael J. O'Donnell, Sr. – Director (Age 67)*

Mr. O'Donnell is the Executive Director of the Office of Innovation and Entrepreneurship at the University of Central Florida. He participates in business coaching, program development, business commercialization and trade missions. Mr. O'Donnell formed the Florida Angel Nexus, the FAN Fund I, LLP, which supports select state-wide emerging growth businesses. Additionally, Mr. O'Donnell is

principal in MOD Ventures LLC, which invests in new ventures in various sectors. He holds a Bachelor of Science in Business Administration from Central Michigan University and a Master of Science in Management from the University of Central Florida. Mr. O'Donnell joined the Board in July, 2018. Additionally, Mr. O'Donnell has been a co-founder of several cannabis companies, including Trulieve, SACS and 3Jays, and has been a Board Advisor since November 2015.

## PROMOTERS

No person or company has been within the two years immediately preceding the date of this AIF, a promoter of the Corporation.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

### Legal Proceedings

There are no actual or contemplated legal proceedings material to the Corporation or a subsidiary of the Corporation or of which any of their respective property is the subject matter and there are no such proceedings known to the Corporation to be contemplated.

There have been no penalties or sanctions imposed against the Corporation by a court or regulatory authority, and the Corporation has not entered into any settlement agreements before any court relating to provincial or territorial securities legislation or with any securities regulatory authority, in the three years prior to the date of this AIF.

### Regulatory Actions

The Corporation is not subject to: (i) any penalties or sanctions imposed by a court relating to provincial and territorial securities legislation or by a securities regulatory authority within three years immediately preceding the date of this AIF; (ii) any other penalties or sanctions imposed by a court or regulatory body against the Corporation that are necessary to contain full, true and plain disclosure of all material facts relating to the securities being listed. The Corporation has not entered into any settlement agreements before a court relating to provincial and territorial securities legislation or with a securities regulatory authority within the three years immediately preceding the date of this AIF.

## AUDIT COMMITTEE DISCLOSURE

### Composition of the Audit Committee

The audit committee of the Board (the “**Audit Committee**”) assists the Board in fulfilling its responsibilities for oversight of financial and accounting matters. The audit committee reviews the financial reports and other financial information provided by the Corporation to regulatory authorities and its shareholder and reviews the Corporation’s system of internal controls regarding finance and accounting including auditing, accounting and financial reporting processes.

As at the date of this AIF, the following are the members of the audit committee. Also indicated is whether they are “independent” and “financially literate” within the meaning of National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”).

Name of Member	Independent <sup>(1)</sup>	Financially Literate <sup>(2)</sup>
<b>Richard May</b>	Yes	Yes
<b>Michael O'Donnell</b>	Yes	Yes
<b>Benjamin Atkins</b>	No	Yes

Notes:

- (1) A member of the audit committee is independent if he or she has no direct or indirect 'material relationship' with the Corporation. A material relationship is a relationship which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment. An executive officer of the Corporation, such as the President or Secretary, is deemed to have a material relationship with the Corporation.
- (2) A member of the audit committee is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

## **Relevant Education and Experience**

Each member of the Audit Committee has experience relevant to his or her responsibilities as an Audit Committee member. See *Directors and Officers – Management* for a description of the education and experience of each Audit Committee member.

## **Audit Committee Oversight**

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

## **Reliance on Certain Exemptions**

At no time since the commencement of the Corporation's most recently completely financial year has the Corporation relied on the exemption in Section 2.4 of NI 52-110 (De Minimis Non-audit Services) or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

## **Audit Committee's Charter**

The Board has adopted a written charter for the Audit Committee, in the form set out under Appendix "B" to this AIF, which sets out the Audit Committee's responsibilities. The Audit Committee's principal duties and responsibilities include assisting the Board in discharging the oversight of: (i) the integrity of our consolidated financial statements and accounting and financial processes and the audits of our consolidated financial statements; (ii) compliance with legal and regulatory requirements; (iii) external auditors' qualifications and independence; (iv) the work and performance of financial management and external auditors; and (v) system of disclosure controls and procedures and system of internal controls regarding finance, accounting, legal compliance, and risk management established by management and the Board. The Audit Committee has access to all books, records, facilities and personnel and may request any information about us as it may deem appropriate. It will also have the authority to retain and compensate special legal, accounting, financial and other consultants or advisors to advise the Audit Committee.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No director or executive officer of the Corporation or person or company that is the direct or indirect beneficial owner of, or who exercises control or direction over, more than 10 percent of any class or series of the outstanding voting securities of the Corporation, or any associate or affiliate of any of the foregoing has or had any material interest, direct or indirect, in any transaction within the three years before the date of this AIF, or in any proposed transaction, which has materially affected or will materially affect the Corporation or any of its subsidiaries.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar of the Corporation's Subordinate Voting Shares is Odyssey Trust Company located at 835 - 409 Granville Street Vancouver BC V6C 1T2, Canada.



## **MATERIAL CONTRACTS**

During the course of the two years prior to the date of the AIF, the Corporation has entered into the following material contracts, other than contracts entered into in the ordinary course of business:

- (a) the Definitive Agreement;
- (b) the Trademark Licensing Agreement with Bhang;
- (c) the Shelter Rock Note and Atkins mortgage;
- (d) the Traunch Four Loan and Security Agreement;
- (e) the Vandergraff Note;
- (f) the Track V Note; and
- (g) the Clearwater GPC, Traunch 4 and Rivers Notes.

## **INTERESTS OF EXPERTS**

The auditors of the Corporation are MNP LLP, Chartered Professional Accountants at its office located at 111 Richmond St W #300, Toronto, ON, M5H 2G4.

Prior to the Transaction, the auditors of the Corporation were McGovern Hurley, Cunningham, LLP at its office located at 251 Consumers Road, Suite 800, North York, ON, M2J 1R3.

No person or corporation whose profession or business gives authority to a statement made by the person or corporation and who is named as having prepared or certified a part of this AIF or as having prepared or certified a report or valuation described or included in this AIF holds any beneficial interest, direct or indirect, in any securities or property of the Corporation or of an Associate or Affiliate of the Corporation and no such person is expected to be elected, appointed or employed as a director, senior officer or employee of the Corporation or of an Associate or Affiliate of the Corporation and no such person is a promoter of the Corporation or an Associate or Affiliate of the Corporation. McGovern Hurley, Cunningham, LLP was independent of the Corporation during the Corporation's most recently completed financial year end in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants of Ontario. MNP LLP, Chartered Professional Accountants, is independent of the Corporation in accordance with the rules of professional conduct of the Institute of Chartered Professional Accountants of Ontario.

## **ADDITIONAL INFORMATION**

Additional information, including particulars of directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and interests of insiders in material transactions, where applicable, is contained in the Corporation's management information circular filed on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional financial information is contained in the Corporation's audited financial statements and MD&A for the Corporation's most recently completed financial year, copies of which have been filed with the securities regulatory authorities in the Province of Ontario. Such documents, as well as additional information about the Corporation, may be found on SEDAR at [www.sedar.com](http://www.sedar.com) under the Corporation's name.

## APPENDIX "A"- GLOSSARY

In this AIF, the following words and terms shall have the following meanings:

**"Affiliate"** means a corporation that is affiliated with another corporation as described below. A corporation is an **"Affiliate"** of another corporation if:

- (a) one of them is the subsidiary of the other; or
- (b) each of them is controlled by the same Person.

A corporation is **"controlled"** by a Person if:

- (a) voting securities of the Corporation are held, other than by way of security only, by or for the benefit of that Person; and
- (b) the voting securities, if voted, entitle the Person to elect a majority of the directors of the Corporation.

A Person beneficially owns securities that are beneficially owned by:

- (a) a corporation controlled by that Person; or
- (b) an Affiliate of that Person or an Affiliate of any corporation controlled by that Person.

**"Associate"** when used to indicate a relationship with a Person, means:

- (a) an issuer of which the Person beneficially owns or controls, directly or indirectly, voting securities entitling him to more than 10% of the voting rights attached to outstanding securities of the issuer;
- (b) any partner of the Person;
- (c) any trust or estate in which the Person has a substantial beneficial interest or in respect of which a Person serves as trustee or in a similar capacity; or
- (d) in the case of a Person who is an individual:
  - (i) that Person's spouse or child, or
  - (ii) any relative of the Person or of his spouse who has the same residence as that Person.

**"AIF"** means this Annual Information Form.

**"Audit Committee"** has the meaning in *Audit Committee Disclosure*.

**"BCBCA"** means the *Business Corporations Act* (British Columbia).

**"Board"** means the board of directors of the Corporation.

**"CBD"** means cannabidiol, a cannabis compound.

**"Coattail Agreement"** has the meaning ascribed thereto in *Description of Capital Structure - Description of the Corporation's Securities*.

**"Cole Memorandum"** has the meaning ascribed thereto in *Risk Factors*.

**"common shares"** in respect of the Corporation refer to Subordinate Voting Shares.

**"CSA"** has the meaning ascribed thereto in *Regulatory Overview – Regulation of Cannabis in the United States Federally*.

**"Conversion Ratio"** has the meaning ascribed thereto in *Description of Capital Structure*.

“**Corporation**” or “**Trulieve**” has the meaning ascribed thereto in *Date, Currency and Other Information*.

“**CSE**” means the Canadian Securities Exchange.

“**Definitive Agreement**” means the business combination agreement entered into among the Corporation, Subco and Trulieve, Inc. on September 11, 2018.

“**Department**” has the meaning ascribed thereto in *General Development of the Business*

“**FDA**” means the United States Federal Drug Administration.

“**FinCEN**” has the meaning ascribed thereto in *Risk Factors*.

“**Initial Holders**” means Kim Rivers, Ben Atkins, Thad Beshears, Telogia Pharm, LLC, KOPUS, LLC and Shade Leaf Holding LLC.

“**Inversion Conditions**” has the meaning ascribed thereto in *Risk Factors*.

“**ITA**” has the meaning ascribed thereto in *Risk Factors*.

“**MOU**” has the meaning ascribed thereto in *Risk Factors*.

“**MMTC**” has the meaning ascribed thereto in *General Development of the Business*.

“**Multiple Voting Shares**” has the meaning ascribed thereto in *General Development of the Business*.

“**NI 52-110**” means National Instrument 52-110 – *Audit Committees*.

“**Person**” means any individual, corporation, Corporation, partnership, unincorporated association, trust, joint venture, governmental body or any other legal entity whatsoever.

“**Sessions Memorandum**” has the meaning ascribed thereto in *Risk Factors*.

“**SKUs**” means stock keeping units.

“**SR Offering**” has the meaning ascribed thereto in *General Development of the Business – Recent Developments*.

“**Staff Notice 51-352**” has the meaning ascribed thereto in *Regulatory Overview*.

“**Super Voting Shares**” has the meaning ascribed thereto in *Description of Capital Structure*.

“**Subco**” means Schyan Sub, Inc., a wholly-owned subsidiary of the Corporation which amalgamated with Trulieve, Inc. pursuant to the Transaction.

“**Subordinate Voting Shares**” has the meaning ascribed thereto in *Description of Capital Structure*.

“**THC**” means tetrahydrocannabinol, a compound found in the resin secreted by glands of the marijuana plant.

“**Transaction**” means the acquisition of Trulieve, Inc. by the Corporation, as contemplated by the Definitive Agreement.

“**United States**” and “**U.S.**” means the United States of America, its territories and possessions, any state of the United States and the District of Columbia.

**“U.S. Residents”** means residents of the United States as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Exchange Act of 1934, as amended.

**“U.S. Tax Code”** has the meaning ascribed thereto in *Risk Factors*.

**APPENDIX “B” - CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS  
TRULIEVE CANNABIS CORP.**

**AUDIT COMMITTEE CHARTER**

**1. Purpose**

The Audit Committee (the “**Committee**”) is a standing committee of the Board of Directors (the “**Board**”) of Trulieve Cannabis Corp. (the “**Corporation**”) appointed as required by National Instrument 52-110 - *Audit Committees (“NI 52-110”)*. Its purpose is to assist the Board in fulfilling its oversight responsibilities for (i) the integrity of the Corporation’s financial statements, (ii) the Corporation’s compliance with legal and regulatory requirements, and (iii) the qualifications and independence of the auditor of the Corporation (the “**external auditor**”).

**2. Authority**

The Committee has authority to conduct or authorize investigations into any matter within its scope of responsibility. It is empowered to:

- (a) Recommend to the Board the public accounting firm to be nominated for appointment by the Corporation’s shareholders as the external auditor, including the external auditor’s compensation, and oversee the work of the external auditor. The external auditor will report directly to the Committee.
- (b) Resolve any disagreements between management and the external auditor regarding financial reporting.
- (c) Pre-approve permitted non-audit services performed by the Corporation’s external auditor.
- (d) Retain independent counsel, accountants, or others to advise the Committee or assist in its duties and to set and pay their applicable compensation.
- (e) Meet with the Corporation’s officers, external auditor or outside counsel, as necessary and communicate directly with the Corporation’s shareholders.
- (f) Delegate authority, to the extent permitted by applicable law, to one or more designated members of the Committee, including the authority to pre-approve all permitted non-audit services, provided that such decisions are reported to the full Committee at its next scheduled meeting.

**3. Composition**

- (a) The Committee must consist of at least three directors, as determined by resolution of the Board from time to time.
- (b) The Compensation, Nominating & Corporate Governance Committee will recommend to the Board applicable directors for appointment to the Committee and the Chair of the Committee.
- (c) If and whenever a vacancy exists on the Committee, the remaining members may exercise all of its powers so long as there continue to be at least three members on the Committee. If at any time a vacancy exists on the Committee that the Board is required to fill, the Board may appoint a new member to fill such vacancy by ordinary resolution of the Board.
- (d) The majority of the members of the Committee shall be independent, as that term is defined in NI 52-110 and in accordance with applicable corporate and securities laws and stock exchange rules.

- (e) Each Committee member must be financially literate as defined in NI 52-110. The Board or the Committee may, from time to time, establish policies limiting the number of audit committees which Committee members may be appointed to.

#### **4. Meetings**

- (a) The Committee must meet at least four times per year, and at least annually, privately, with each of management and the external auditor.
- (b) The greater of two members or 50% of the members of the Committee shall constitute a quorum. All resolutions of the Committee shall be made by a majority of its members present at a meeting duly called and held. All Committee members are expected to attend each meeting, in person or by telephone or video conference. Any decision or determination of the Committee reduced to writing and signed by all of the members of the Committee shall be fully as effective as if it had been made at a meeting duly called and held.
- (c) The Committee may invite such officers, directors and employees of the Corporation as it deems necessary or advisable from time to time to attend meetings of the Committee and assist in the discussion and consideration of the duties of the Committee.
- (d) The time at which and place where the meetings of the Committee shall be held and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee. Following a Committee meeting, the Committee Chair shall report on the Committees' activities to the Board at the next Board meeting. The Committee must keep and approve minutes of its meetings in which shall be recorded all action taken by it, which minutes must be made available to the Board as soon as practicable after each meeting of the Committee.

#### **5. Chair**

The Chair of the Committee has the powers and responsibilities set forth in Schedule "A" hereto.

#### **6. Responsibilities**

The Committee must:

- (a) Review significant accounting and reporting issues and understand their impact on the financial statements, including but not limited to:
  - (i) complex or unusual transactions and highly judgmental areas;
  - (ii) major issues regarding accounting principles and financial statement presentation, including any significant changes in the Corporation's selection or application of accounting principles;
  - (iii) any significant variances with comparative reporting periods; and
  - (iv) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation.
- (b) Review analyses prepared by management and/or the external auditor relating to significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of the selection or application of the Corporation's accounting principles.
- (c) Review compliance with covenants under any loan agreements.
- (d) Review disclosure requirements for commitments and contingencies.
- (e) Review with management and the external auditor the results of the audit, including any difficulties encountered. This review will include any restrictions on the scope of the external

auditor's activities or on access to requested information, any significant disagreements with management, and adjustments raised by external auditors, whether or not included in the financial reports.

- (f) Review and discuss the annual audited financial statements and quarterly financial statements with management and the external auditor, including the Corporation's disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A"), including the discussion of critical accounting estimates included therein.
- (g) Review and recommend to the Board for approval, prior to public disclosure, the annual and quarterly financial statements, MD&A and annual and interim profit or loss press releases.
- (h) Review disclosures made by the Chief Executive Officer and the Chief Financial Officer during the certification process about significant deficiencies or material weakness in the design or operation of internal controls or any fraud that involves management or other employees who have a significant role in the Corporation's internal controls and, if applicable, understand the basis upon which the certifying officers concluded that any particular deficiency or combination of deficiencies did or did not constitute a material weakness.
- (i) Review and recommend to the Board for approval, prior to public disclosure, financial information and earnings guidance provided externally, including to analysts and rating agencies if applicable. This review may be general (i.e., the types of information to be disclosed and the type of presentations to be made).
- (j) Satisfy itself that adequate procedures are in place, and periodically assess the adequacy of those procedures, for the review of any public disclosure of financial information extracted or derived from the financial statements, other than the statements themselves, the MD&A or the press releases referred to above.
- (k) Annually review and assess the Corporation's policies in effect from time to time, including its, Disclosure and Confidentiality Policy and Insider Trading and Reporting Policy and make recommendations to the Board.

## **7. Internal Control**

The Committee shall also:

- (a) Consider the effectiveness of the Corporation's system for internal control over financial reporting, including information technology security and control.
- (b) Review the scope of the external auditor's review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.
- (c) Review the external auditor's management letters and management's responses to such letters.
- (d) As requested by the Board, discuss with management and the external auditor the Corporation's identifiable risks arising from any financial, operational or other deficiencies, the adequacy and effectiveness of the Corporation's accounting and financial controls relating thereto, and the steps management has taken to monitor and control identified risks.
- (e) Annually review the Corporation's disclosure controls and procedures, including any significant deficiencies in, or material non-compliance with same, and the steps management has taken to monitor and control such deficiencies or instances of non-compliance.

## 8. External Audit

The Committee shall also:

- (a) Review the external auditor's proposed audit scope and approach.
- (b) Review the performance of the external auditor. Annually review the report of the external auditor on matters required to be communicated to the Committee under Section 5135 (auditors' responsibility to consider fraud) and Section 5751 (communications with those having oversight responsibility for the financial reporting process-independence) of the Canadian Institute of Chartered Accountants handbook.
- (c) Report any conclusions with respect to the external auditor to the Board.
- (d) Establish and periodically assess the Corporation's hiring policies for partners, employees and former partners and employees of the current or prior external auditor.
- (e) At least once per year, meet privately with the external auditor to discuss any matters that the Committee or the external auditor believes should be discussed privately.
- (f) Review and pre-approve, in accordance with NI 52-110, any non-audit services, provided by the Corporation's external auditor, taking into consideration whether the delivery of non-audit services will interfere with the independence of the auditors. The pre-approval of non-audit services may be further delegated to one or more independent members of the Committee, provided that said pre-approval is presented to the Committee at its first scheduled meeting following such approval. The pre-approval requirement is satisfied with respect to the provision of *de minimis* non-audit services if:
  - (i) the aggregate amount of all such non-audit services provided to the Corporation which were not pre-approved constitutes not more than 5% of the total amount of fees paid by the Corporation and its subsidiaries to the external auditor during the fiscal year in which the non-audit services are provided;
  - (ii) the services were not recognized by the Corporation or its subsidiaries, at the time of the engagement, to be non-audit services; and
  - (iii) the services are promptly brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more members of the Committee to whom authority to grant such approvals has been delegated by the Committee.
- (g) The Committee may from time to time establish specific pre-approval policies and procedures in accordance with NI 52-110.

## 9. Compliance

The Committee shall also:

- (a) Annually review the effectiveness of the Corporation's system of monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- (b) Establish and periodically assess the adequacy of procedures for: (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees regarding questionable accounting or auditing matters.



- (c) Review findings of any examinations by regulatory agencies, and any external auditor's observations made regarding those findings.
- (d) Review the process for communicating the Code of Business Ethics to Corporation personnel, and for monitoring compliance therewith.

#### **10. Reporting Responsibilities**

The Committee shall also:

- (a) Report to the Board about Committee activities and issues that arise with respect to the quality or integrity of the Corporation's financial statements, the Corporation's compliance with legal or regulatory requirements, the performance and independence of the Corporation's external auditor and internal controls over financial reporting.
- (b) Review any other reports the Corporation issues that relate to Committee responsibilities.
- (c) Liaise with the external auditor and the Board to ensure that any material issues that have arisen related to compliance and governance have been addressed and that appropriate actions have been identified and undertaken to mitigate the issues identified.
- (d) The Committee shall at least annually evaluate its own performance and the contents of this Charter, including Schedule "A" attached hereto, and recommend to the Board such changes to the Charter as the Committee deems appropriate.

#### **11. Other responsibilities**

The Committee shall also:

- (a) Discuss with management the Corporation's major policies with respect to risk assessment and risk management.
- (b) Perform other activities related to this Charter as requested by the Board.
- (c) Institute and oversee special investigations as required with respect to the discharge of the Committee's duties hereunder.
- (d) Ensure appropriate disclosure of this Charter as may be required by applicable law.

## **Schedule "A"**

### **Trulieve Cannabis Corp.**

#### **Audit Committee Chair Person Description**

In addition to the duties and responsibilities set out in the bylaws and any other applicable charter, mandate or position description, the chair (the "**Chair**") of the Audit Committee (the "**Committee**") of Trulieve Cannabis Corp. has the duties and responsibilities described below.

1. Provide overall leadership to enhance the effectiveness of the Committee, including:
  - (a) overseeing the structure, composition, membership and activities delegated to the Committee;
  - (b) chairing every meeting of the Committee and encouraging free and open discussion at the meeting of the Committee;
  - (c) scheduling and setting the agenda for Committee meetings with input from other Committee members, the Chair of the Board and management as appropriate;
  - (d) facilitating the timely, accurate and proper flow of information to and from the Committee;
  - (e) arranging for management, internal personnel, external advisors and others to attend and present at Committee meetings as appropriate;
  - (f) arranging sufficient time during Committee meetings to fully discuss agenda items;
  - (g) encouraging Committee members to ask questions and express viewpoints during meetings, and
  - (h) taking all other reasonable steps to ensure that the responsibilities and powers of the Committee, as outlined in its Charter, are well understood by the Committee members and executed as effectively as possible.
2. Foster ethical and responsible decision making by the Committee and its individual members.
3. Encourage the Committee members to meet separately from the scheduled Committee meetings to ensure that all members have an opportunity to be fully informed of information that will be addressed by the Committee during the meeting.
4. Following each meeting of the Committee, report to the Board on the activities, findings and any recommendations of the Committee.
5. Carry out such other duties as may reasonably be requested by the Board.