



Dear Fellow Shareholders:

My last letter to investors was in June, 2018 and I apologize for the delay between updates. We have been hard at work over the last 6 months, re-shaping the strategic direction of the Company and establishing a profitable business model, which I will outline for you in this letter. Until recently, Alternate Health operated at arms-length from the cannabis industry, choosing to focus on ancillary products and services, primarily in the technology and fintech sectors. After much discussion and careful consideration, the Board made the important decision to make a shift in the Company's strategy and become a direct participant in the cannabis industry and, in so doing, capitalize on this incredibly valuable and rapidly growing market.

With the Board's approval, our management team took immediate action and identified several high-value opportunities to begin making a major push in California's medical and adult-use cannabis markets. The first step in this new strategy was the acquisition of our manufacturing, and distribution licenses in Humboldt County, CA. Securing these licenses is a phenomenal accomplishment for the Company and positions us to initiate development of our own lines of premium cannabis flower as well as cannabis extracts and manufactured products, including edibles, vape pens, concentrates and more. Many other companies have spent exorbitant amounts of money to purchase their commercial cannabis licenses outright or scrambled to complete the arduous licensing application process only to be met with prohibitively long turn-around times or flat denial. Alternate Health bucked this trend and leveraged its extensive network of relationships in the cannabis industry to secure its cannabis licenses in a cost-effective and time-efficient manner.

While the Humboldt County facility is an exciting achievement, it is only the beginning—we are also in the process of finalizing the acquisition of Kare MMJ and its signature vape brand, Bionic Bee, which will give us rapid entry into the Los Angeles medical and adult-use cannabis markets. Management expects our vape business to produce an almost immediate source of long term and reliable revenue.

Alternate Health's agreement to secure \$20M in debt financing has been another exciting accomplishment. Establishing a meaningful presence in the California cannabis market is an expensive proposition and we are now in a position to make progress on our strategic priorities with strong financial backing. In addition to our debt financing agreement, the Company continues to generate positive interest in the market as evidenced by our October 31st announcement of a private placement offering of up to \$5.5MCAD, which is currently oversubscribed. We will continue to evaluate new capital raise opportunities as they become available and keep investors updated.

I am thoroughly excited about the prospects ahead of Alternate Health and could not be prouder of our management team and the work they have accomplished over the past 6 months. This has been a difficult time for the Company but we have persevered and established a strong plan moving forward which we believe will bring tremendous value to the Company and its shareholders.

The opportunities that lie ahead for Alternate Health are truly exciting. We are taking a calculated and strategic approach to capturing California market share while working diligently to maximize our revenue potential. I have summarized below exactly how we plan to achieve this.

Humboldt County

For decades, California's highest quality cannabis has been cultivated in the Humboldt County region of Northern California. Starting in the counter culture movement of the 1960s, families migrated to this remote area and began growing potent cannabis strains that would go on to bring the region fame as California's *Emerald Triangle*. Today, there are over 50,000 craft cultivators in the area, many of whom are second or third generation producers. Following medical cannabis legalization, Humboldt County began to legitimize operations, winning awards and international admiration. Demand for Humboldt cannabis from urban areas has skyrocketed, especially in Los Angeles, but new regulations and licenses have made it difficult to connect production in this relatively remote area with retail markets in the city.

Alternate Health established its licensed distribution and manufacturing facility in the heart Humboldt County with the goal of resolving this disconnect between quality producers and potential retailers. Our aim is to leverage the relationships and technology we have developed to create a vertically integrated distribution network, reinforced by in-house cannabis brands, for the state's craft producers and retailers. This integration is symbolized by the acquisition of our premium cannabis brand Humboldt Ave. We are building a streamlined "avenue" to connect the state's finest cultivators to retailers and consumers in the greater Los Angeles area.

The system begins with our 14,800 square foot distribution and manufacturing headquarters positioned on 9 acres in Humboldt County. Here, we are establishing a state-of-the-art facility where cannabis from local growers can be delivered in bulk and packaged for sale as flower, or extracted for manufactured products. The center will also feature a commercial kitchen for creation of cannabis-infused edibles as well as a production line for vape pens and other cannabis concentrates. As the only public company with a presence in the Humboldt County community, Alternate Health gains the unique ability to label our cannabis products as "Humboldt-Grown."

Another advantage of Alternate Health's distribution model is our ability to joint venture with local farmers. We believe in supporting craft cultivators and are working to provide a financially-viable alternative to some of the major buyers who have recently attempted to gouge the market with exploitative purchasing tactics that leave farmers with no way to make a profit on their crop. Rather than try to squeeze cultivators with lower prices, Alternate Health plans work hand in hand with Humboldt growers in a mutually-beneficial joint venture. This will be accomplished through a revenue-sharing agreement with cultivators where a cash advance is paid on bulk cannabis flower supply and profits are split as finished goods are sold at the retail level through our blockchain software and point-of-sale systems. Our goal in this endeavor is to keep Alternate Health and the farmers on the "same side of the fence" in a working relationship that is prosperous for both parties.

Products

Alternate Health is now in the process of putting together a strong line of beautifully designed and expertly produced cannabis products. With access to the finest raw material available in the country and a team of individuals with a diverse and extensive range of experience in all aspects of cannabis production, we believe we can grow our line into a premiere brand trusted by consumers as the highest quality and most reliable products on the market.

Cannabis flower will be packaged and labelled under the Humboldt Ave brand and marketed as the premiere flower product grown and produced in Humboldt County. Alternate Health will also collect high-grade cannabis “trim” from our network of cultivators, which is the primary raw material used to create extract products. Some extraction will be done in the Humboldt facility, but Alternate Health has also acquired leading California cannabis collective Kare MMJ along with its signature line of flavored vape products, Bionic Bee. Bionic Bee boasts an established and successful business model in the LA market with a profitable retail history in multiple dispensaries. This turn key operation is an ideal fit for Alternate Health and we are eager to begin marketing a product that already has a strong reputation with California consumers. Final extraction and manufacturing will take place at Bionic Bee’s new facility in Sun Valley, located in the Greater Los Angeles area. Extract products are a powerful growth market, with significantly higher margins on finished goods. In its function as a manufacturer, Alternate Health has the opportunity to maximize its relationships with cultivators, buying trim in addition to flower, while offering a wider range of products to offer dispensary affiliates.

In addition to retail products, Alternate Health will also position itself as a major supplier of wholesale goods. The market is flush with companies eager to create branded products but lacking the equipment and expertise to secure the necessary raw materials. This applies to both quality cannabis flower and reliable cannabis extract. Alternate Health has an opportunity to capitalize on this rapidly growing sector and become a leading supplier of wholesale cannabis.

Technology

Current financial systems represent a major obstacle standing in the way of California’s cannabis industry. Due to asymmetry between federal and state law on the legal status of cannabis, federally regulated financial institutions are barred from participating in the market. This has left the industry reliant on cash-based payments and financing, with widespread implications on the efficiency, transparency, and safety of how business is done. Without access to traditional credit markets, many cannabis businesses are forced to continue operating in the grey market, while licenses are snapped up by the few California or Canadian cannabis company who have raised capital privately. What we are seeing is the rise of an underground cannabis cultivation and retailing industry, with little connection to the cultivators, quality, and community that continues to drive consumer preference in the industry.

Alternate Health’s solution is simple: establish a system of connectivity in the cannabis community with the best software in the industry. Over the years, Alternate Health has developed the best cannabis inventory management, point-of-sale, blockchain payment, and tax administration software. These technologies form the basis of our system which is offered to cultivators and retailers free of charge as an additional incentive to do business. Alternate Health’s software solutions facilitate digital transactions through our blockchain-powered payment engine, Zi App, with the ability to track inventory, sales, payments and taxes. Using a system of programmable smart contracts and fixed-value virtual currency, Alternate Health’s software automatically calculates and splits payments, including revenue sharing and tax remittance. For example: when a consigned cannabis product is sold to a consumer by a partner dispensary, our software calculates the total payment accepted and automatically transfers grower and retailer profit share, state taxes, and transaction fees into the appropriate user accounts in real time. All participants in the supply chain receive secure, accurate and timely payments, enabling a trusted system of consignment sales throughout the network.

Social Equity Program

Recent developments in Los Angeles’s regulatory environment have created a new set challenges on the retail side of the adult-use cannabis industry. However, where there are

challenges, we see opportunities. The City of Los Angeles is currently transitioning away from the previous “grey-market” dispensary model, issuing new retail licenses and permits. The majority of these licenses and permits will be issued through the City of Los Angeles’s Social Equity Program. City legislators understand that the War on Drugs damaged the lives of disadvantaged communities, with low-income and minority individuals unfairly targeted for convictions. In an effort to right the wrongs of the past, the Social Equity Program will grant over 300 licenses to low-income applicants from disadvantaged areas of the city, with a preference for those with a prior, non-violent cannabis conviction.

The final step in Alternate Health’s distribution plan is to support Social Equity Applicants. Since applicants are required to have low-incomes, and many will have cannabis convictions, Alternate Health expects few applicants will have the required capital and business experience to establish successful retail operations. With this in mind, we are constructing a unique model designed to offset start up costs with capital infusion and ensure a smooth transition to entrepreneurship. Successful applicants will receive the support of Alternate Health’s software systems, offering automated reporting and accounting features, including tax administration. Most importantly, Alternate Health will offer cannabis flower and extract products on a consignment basis, significantly lowering inventory costs for start-up retailers. Alternate Health’s digital payment and point-of-sale systems will allow customers to pay for cannabis with credit or debit cards, with all payments split in real time between cultivator, distributor, retailer, and the state tax authority.

Going Forward

Alternate Health has assembled all of the pieces needed to successfully execute our California business model from an operational and infrastructural perspective. The exhaustive work that has been done to develop our suite of systems and processes including, blockchain technology, digital payments, ZiApp, CanaPass, laboratory analysis, point of sale, and inventory management, will all bring a decided advantage to our Company as we strengthen our presence in the cannabis industry. This will prove especially true as we implement our payment system and consignment model in the cannabis sales funnel. By consigning products, we are positioned to attract and incentivize dispensaries who see the enormous value in having access to top quality products with no upfront inventory expenses. Simultaneously, we will control the flow of money through our integrated payment system with the ability to guarantee payout to all invested parties at the point of sale.

In my next letter I will provide an update on the status of our new model and the progress we have made in California. Alternate Health and its management team will remain focused on the effective execution of the plan I have outlined and work tirelessly to accomplish strategic priorities that will drive revenue for the Company and build value for our shareholders.

Michael L. Murphy, MD
Chairman and Chief Executive Officer

November 20, 2018