



Dear Fellow Investors,

The newsletter I sent out earlier this week outlined in detail the strategic direction in which Alternate Health will be moving in the very near future. This follow up letter will report on the status of our other lines of business and how they fit into the company going forward. All of the effort, time, and resources spent in the development of these assets will give us a decided advantage in the cannabis space. Our decision to move aggressively into the cannabis market has been both timely and very well received by all who have called or written Alternate Health.

The opportunities being presented to us on a daily basis are not only exciting, but also have the potential to solidify Alternate Health as a leader in the cannabis industry in a short amount of time.

ZiApp Payment System

ZiApp is a payment processing engine specifically designed to handle the high-risk transactions that characterize the cannabis industry. Using a network of blockchain smart contracts and a fixed-exchange token, ZiApp offers a comprehensive solution to cannabis merchants who have struggled with traditional payment providers. ZiApp's eWallet functionality is easily integrated with any retail Point of Sale system or online shopping cart, providing a comprehensive payment solution. This will be paramount in our Distribution Business as we work with farmers and dispensaries to streamline the cannabis supply chain and the movement of money going from raw materials to finished goods.

CanaPass/StatePass

CanaPass and its adaptations in the United States continue to gain traction in the medical-use cannabis market. In Florida, the recent approval from the state Department of Health and our agreement with Liberty Health Sciences has generated strong momentum. We have been actively growing our physician and patient base and have successfully processed online orders for medical cannabis through the FlorPass online shopping portal. While conversion to revenue has been slower than anticipated, we continue to enhance the system and do expect positive results in the future. The shopping portal and inventory management aspects of the system will transition nicely as we customize the software for California's adult-use market.

Point of Sale

Our Point of Sale (POS) software was built as an extension of the CanaPass system to provide dispensaries and licensed providers with the ability to handle transactions and process payments in a brick-and-mortar retail environment. As we roll out our Distribution services in California, the POS system will be the competitive advantage for Alternate Health, giving us the ability to offer partner dispensaries a turn-key payment solution while seamlessly tracking inventory and consignment sales.

MLM Software

Our IT team has done a tremendous job in creating a Multi-Level Marketing software solution and we are now in the final stages of development. We are also in the process of evaluating several exciting CBD products to include in our offering. With the conclusion of our software development and selection of products, we will be ready to roll this program out in 2019. Our plans are to enter the CBD market when the time is right with the same level of enthusiasm that characterized our movement into the cannabis market.

Laboratory

The laboratory sector in the United States has undergone a major shift over the last 12 months. Independent labs have been forced to shut down due to new rules and decreases in payment amounts and adjudication percentages.

Alternate Health Labs was brought into the company as a cash flow generator while we matured our other lines of business. The lab performed as expected for the first 7-8 months, producing over \$12 million in revenue. In late Summer of 2017, the changes in reimbursement rates began taking effect, as well as an onslaught of lawsuits against labs that were involved in the support of rural hospitals exercising their legal right to pursue a lab outreach program. Since then, the space has become increasingly litigious, with rules that have been honored for decades, changing overnight. Reimbursement rates for independent labs have fallen to unsustainable levels or cut off completely.

We tried desperately to find a way to stay involved in the industry, but our efforts were repeatedly met with pushback from the insurance companies. It is now time to move our resources away from the clinical space and incorporate our personnel, equipment, fixtures, and extensive knowledge base into the cannabis industry. In the coming months, we will be announcing work that is currently underway to accomplish this goal. Just as our other resources are dove-tailing nicely into the cannabis business model, we expect the lab will also be an ideal fit.

Conclusion

In the very near future, Alternate Health will be announcing managerial changes that will give us the leadership needed to take our Company forward. These changes will involve adding individuals with decades of experience and expertise in the cannabis sector. Also in this announcement, we will outline infrastructural changes as well as the movement of our offices to be more in line with the cannabis industry.

You will also notice a major change in our reporting to investors, as well as press releases. The new team will commit to a monthly investor newsletter that will detail all progress achieved in the period. This is an exciting time for Alternate Health. The next calendar year will prove to be the year that investors will be proud to be a partner in our progress.

Michael L. Murphy, MD
Chairman and Chief Executive Officer

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