



Trulieve Cannabis Corp: Why we believe the Company is a Fraud

- Our on the ground due diligence including drone footage suggest that the majority of the company's cultivation space comes from hoop houses that produce low quality output that is prone to infestation and weather damage.
- We found extensive ties between Trulieve and ongoing FBI investigations into corruption in North Florida.
- Trulieve's initial license approval stinks of corruption and involved multiple undisclosed conflicts of interest.
- CEO Kim Rivers' husband, JT Burnette is at the very center of the FBI probe, he is the right-hand man of disgraced politician Scott Maddox, and an integral part to the criminal enterprise accused of charges ranging from racketeering to falsifying statements.
- Our research indicates that Burnette is Trulieve's key construction partner. Burnette's construction firms were also called out in the subpoena and are involved in scandals involving public funds in North Florida.
- There are several undisclosed related party transactions, where Burnette affiliated companies sold real estate to Trulieve at a huge profit.
- Trulieve lies about the nature of its lenders, and depicts some of them as third parties that we could trace back to insiders. Also, all but one lender used shell entities that show no other activities.
- Given the opaque set up and lies Trulieve told about its financing sources we are deeply worried what Trulieve is hiding. Inkbridge, a lender of Trulieve that is controlled by Kim Rivers, is known for using government funds to finance ventures. There are also reports of shady foreign individuals trying to get a foothold in Florida's medical marijuana industry. We ask: Where did the money really come from?
- The company's portrayed profitability relies on mark-ups on their grown product, which we believe to be highly suspect in-light of our findings. Also, the company takes out tiny loans from insiders when it is supposedly swimming in cash.
- Trulieve is facing several economic headwinds, such as increasing competition. With the low-quality production facilities we uncovered, we believe Trulieve will not be able to compete.



1. Introduction

Trulieve is portrayed as the rising star in the Cannabis space. Since the company came public in late 2018, it has posted spectacular numbers, far outpacing peers. Trulieve is also the only publicly traded Cannabis company that reports profitability. It is almost too good to be true...

Our investigations revealed a different side of the company. Trulieve and its insiders are deeply involved in ongoing FBI investigations. CEO Kim Rivers and companies affiliated with her are mentioned in FBI subpoenas. Kim River's husband, JT Burnette, is currently indicted for serious charges such as racketeering. Kim and her husband seem to be at the very center of a political crime ring in North Florida, that dealt in political favors and allegedly obfuscated government funds.

We found out that Burnette construction company, which is also mentioned in the subpoena, is the key construction partner of Trulieve. Burnette's financial engineering company is also involved as a direct lender and the pattern alleged in previous busted deals shows up at Trulieve.

The shell companies that financed Trulieve before it went public are deeply suspicious, show no other operations and its unclear where funds really came from. We were able to link lenders that Trulieve disclosed as third parties back to insiders. The company outright lied in its disclosure about the nature of the lenders! Trulieve also fails to disclose several related party transactions with particular names such as "One More Wish LLC" and "Big Wish LLC" that can be linked back to Burnette.

CEO Kim Rivers is alleged to be central in financial engineering schemes that potentially obfuscated state funds, and we are deeply worried about the source of Trulieve's funds and the nature of the lenders. We want to remind you that cannabis businesses still don't have access to legal banking. Kim Rivers and her husband have access to a political network that specializes in accessing government grants and loans. Does anybody feel reminded of the movie "[The Irishman](#)"?

We went out and visited Trulieve's growth and production facilities, interviewed locals, and employees. Our drone footage reveals stunning insights. Trulieve operates approximately 1.4million square feet of outdoor hoop houses, that produce low quality product prone to infestation and weather damage. Trulieve claims to operate 1.7million square feet of cultivation space in total. Any company claims of wanting to "deliver the highest quality flower possible" falter in light of our findings.

The company's profitability is largely reliant on paper-gains, namely mark up on biological assets. Real cash flow has been in fact negative. We saw the company's low-quality production, which makes us highly suspicious of the mark-ups that are far bigger than in for any other peer. The company had to borrow tiny amounts from insiders when it was supposedly swimming in cash.



2. Brief History of Trulieve

Trulieve Inc. was founded in 1990 as George Hackney Inc. and renamed in July 2018 just prior to the becoming public. Trulieve completed a [reverse merger](#) with Canada listed shell company Schyan Exploration and started trading under the symbol TRUL on the Canadian Securities Exchange in September 2018. As part of the reverse merger Trulieve issued 11m shares at C\$6 per share.

Trulieve CEO Kim Rivers moved to Tallahassee from Atlanta shortly before the 2008 housing crash. She soon started companies to buy and renovate properties. She also founded consulting companies to help others seek local and state tax [incentives](#) and has worked extensively with John Thomas Burnette, a local business man. In a 2013 interview with [850 magazine](#) Kim talks about Burnette's business acumen, and how she hungered for a "big deal high".

In spring of 2014, Gov. Rick Scott signed off on the Compassionate Medical Cannabis Act. The legislation divided the state into five regions with one license each to cultivate low-THC marijuana and process its oil into medicine to treat children afflicted with a severe form of epilepsy and cancer patients. At the same time Rivers teamed up with Jason Pernell, a medical marijuana dispensary owner who has stores in California and Oregon, to form pursue a cannabis venture. They quickly partnered with Hackney Nursery, Simpson Nursery, and May Nursery, two North Florida growers located about 30 minutes from Tallahassee, to obtain a medical marijuana [license](#).

In November 2015 Hackney/Trulieve was [awarded](#) one of the five licenses the state handed out. There were 28 applicants in total, each one of five regions were supposed to get a license to grow low THC medical cannabis and Hackney was one of four applicants for the Northwest Florida license. The licensing process was very shady, and involved multiple undisclosed conflicts of interest.

By the time of the public listing Trulieve had achieved leadership status in Florida's nascent cannabis industry. Trulieve reported that it operates 507,100 square feet of cultivation facilities across three sites as of October 2018. Trulieve has also been the leader in Florida in dispensary openings. At the time of the public listing Trulieve had 16 dispensaries and has continued to grow the dispensary location count rapidly.



3. Suspicious Funding Sources

The company's cannabis ventures were financed mostly by related party notes and show several red flags. According to county real estate records George Hackney Inc. aka Trulieve, transferred most of the real estate it possessed out of the company into newly formed Hackney Nursery Inc. but left the company a few parcels to pursue its cannabis venture.

In April 2016 George Hackney personally lent \$1million to the company to obtain a medical cannabis license. Consequentially the company took multiple notes from related parties, and a few from unrelated investor groups. Just before the public offering Trulieve recorded over \$20million in related party debt, which is the majority of capital that went into the company at that point.

As part of its reverse merger in September 2018, Trulieve issued equity capital in the form of 11m shares priced at C\$6 per share. About \$12million of the total \$64million in proceeds were used to reduce outstanding notes.

The structure for the financings is very peculiar. All entities were formed just prior, and in case of Track V apparently even after granting the loan to Trulieve. All but one lender links back to insiders. The lenders also show no other activities, websites, EIN number, despite having millions to invest. We are also suspect how these entities were funded, especially since this murky structure gives plenty of opportunities to hide the participation of unknown parties.

There were several related party groups that funded the company that investors should be very uncomfortable with.

3.1 The Presence of Inkbridge, LLC is deeply worrying

Inkbridge, LLC lent \$1.8m to Trulieve in November 2017, the note was rolled into a subsequent note Trulieve calls the Rivers Note. Inkbridge is mentioned in the FBI subpoena and links to Scott Maddox, and it certainly fits into the picture. Inkbridge is financial engineering firm, that Rivers and Burnette ran even prior to Trulieve. The company specialized in getting access to government grants, and preferential financing options. How this has led potentially to embezzlement of funds can be seen in our case studies. Kim was also taking a prominent role in the community and has been involved with the Leon County Sales Tax Committee and the Downtown Improvement Authority.

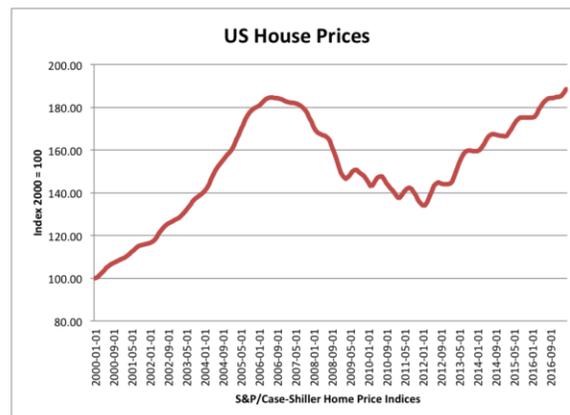
3.1.1 Sunnyland Solar

Burnette created Sunnyland Solar and Kittrell created SolarSink to work on a solar energy startup. Solarsink, LLC received allotted FCLF NMTC financing (which is a branch of Community Redevelopment Agency (CRA)) of \$12.5m and \$11.9m Qualified Low-Income Community Investment money. In order to qualify for NMTC financing (as stipulated in [NMTC program overview](#)), some financing commitments have to be already in place.

The Solarsink LLC appears to have met this criteria through securing lending from Hunter & Harp Holdings, which according to a [Tallahassee Democrat article](#) was controlled by J.T. Burnette, Chad Kittrel and Frank Whitley. Basically, J.T. Burnette lent itself money to secure the NMTC loan.

The project was undertaken by Solarsink and Sunnyland Solar LLC, another firm controlled by Burnette and his partner (soon to be his wife, and CEO of Trulieve) Kim Rivers. If things were not fishy enough, the project later was defunct, after spending in far less than the amount that they supposedly received. A storm supposedly destroyed the project (Shoutout to Crazy Eddie). It brings into the question if this venture was set up for the sole purpose of extracting the NMTC financing.

What was even more bizarre was Sunnyland actually purchased a warehouse from [2830 Plant Street](#), a limited liability company owned by Burnette, for \$1.6M. The clerk's official record site shows no mortgage recorded. According to [RealtyTrac](#), this property has been sold two times. The first time in 2007 at a price of \$12 per sq.ft, totaling \$325,000. The second time in 2011, corresponding to the Sunnyland sale, at a price of \$60 per sq.ft, totaling \$1.6M. Considering that the US housing market peaked around 2006-2007 and crashed at all time low at 2011, it is a miracle that the Sunnyland real estate quadrupled in value during the exact same period. It would almost seem like Burnette bought the company at \$325,000, used government money and flipped into an instant 4x profit. This looks like a scam transaction to us. There is no trace of the unspent funds of this solar project.



We are not the only ones suspecting criminal activity here. Sunnyland Solar was mentioned in an FBI [subpoena](#) that demanded records on the CRA and related projects.

3.1.2 Edison Restaurant

Edison restaurant was another case with a similar pattern of obfuscating CRA/public funding. Nick Larossi used to be the lobbyist for Trulieve, and has been involved in many of J.T. Burnette's projects. The Edison restaurant investment was led by Adam Corey through Cascades Holdings. Adam Corey, [who was named in an FBI subpoenas](#) alongside Kim Rivers, was also involved in the medical marijuana business in Florida. Despite not disclosing Larossi as an investor in the Edison project, [he was a key investor](#). The Edison restaurant received over \$2.1M in public money, including CRA funds. The FBI seems to be going concretely after the Edison project, as they requested information directly related to this project in a [subpoena](#).

Hence, we are seeing another case where an early insider of Trulieve is related to questionable companies that acquired financing from CRA.

3.1.3 Hotel Duval

Hotel Duval was purchased by J.T. Burnette and a company called [SheltonDean Inc.](#) The company was ran as an interior design company by Burnette's ex-wife, Catherine Baker. Burnette paid \$4.75m in 2007 and allegedly spent \$10 million renovating it through Hunter & Harp, the same company that provided financing for Sunnyland Solar. They received \$5.25m small business loan from the federal government. Four years later, they sold the hotel for \$23m, a net gain of more than \$8m. It is worth noting that Burnette controls a construction and roofing company. Though not disclosed which construction party Hotel Duval used, we have reasons to believe that perhaps the \$10m spent renovating went into the Burnette's pockets. The FBI also mentioned Duval Partners and SheltonDean Inc and affiliated parties in the subpoena.

3.1.4 DoubleTree Hotel

Burnette and Kim Rivers purchased DoubleTree Hotel in 2014 for \$21m through a company [called IB Tallahassee LLC](#). He received \$50,000 from the CRA and approval of \$883,000 granted by CRA for sidewalk improvements. Once again, the FBI is going after IB Tallahassee in the subpoena.

The indictment against Burnette [alleges](#) that he caused a company to pay \$110,000 in exchange for Maddox declaring a conflict and not voting on a matter in 2014 involving a rival hotel project.

"The hotel developer's proposed project would have created competition with Burnette's real estate interests, including a nearby commercial real estate building and the planned purchase of a nearby hotel," the indictment states.

3.2 Hiding the Related Party Nature of Lenders

It is noteworthy that the company lies about, or at least obfuscates the nature of certain lenders. **Track V LLC** issued a \$6m loan in January 2018 to Trulieve, but this loan is listed as belonging to an unrelated party per Note 5 in the 2018 third quarter financial statements.

Track V, LLC lists Anna Bruno and Virginia Hines as directors and agent. Virginia Hines is closely related to Ben Aktins, and was actually the In-House Counsel for Trulieve from May 2017 to May 2019. We see that this company was incorporated days before the loan was issued, on Jan 9, 2018. Trulieve also discloses the relationship between Track V and Atkins in the annual report ownership table.

The company lied in its listing statement about this note belonging to an unrelated party.

Another lender, called **Vandagraff One LLC**, is consistently disclosed as a third party, but traces back to Trulieve insiders. Vandagraff provided \$2M loan in December 7, 2017. The loan became due on demand following the SR offering. The pattern we see once again is that the company was founded once again just days prior to the loan being issued, on November 13, 2017. Vandagraff can't be traced back to an investor group, doesn't show a website, or a parent company. Vandagraff lists it's address as 24671 US HWY 19 N, CLEARWATER, FL, 33763, which is the property directly next to Trulieve Clearwater. This is also in fact the same exact address related party Track V uses. We don't believe this to be a coincident and think that Trulieve has on purpose disguised a related party loan as coming from a third party.



In fact, the only investor/lender who seems to be truly an outsider is New York based investment firm Shelter Rock capital.

3.3 Borrowing Small amount despite Supposedly Swimming in Cash

We find it noteworthy that the company borrows relatively small amounts at times when it should be supposedly swimming in cash.

In February 2019, the Company entered into a 24-month unsecured loan with an 8% annual interest rate with a former director and shareholder for \$257,337. The loan was issued in March 2019. Trulieve reported that as of March 31st (end Q1) it was swimming in cash with a balance of over \$20m, having just generated \$14m in net income and operating cash flow of \$10m.

4. Shady Approval Process

It has been a bumpy ride for legal cannabis in Florida since Governor Rick Scott signed the so-called Charlotte's web medical marijuana bill into legislation 2014. We would argue that the Tallahassee political mafia has done everything it could to skew the process so that they can reap the greatest benefits, the while hurting consumers and producers.

As the Florida house was about to pass legal guidelines for growing medical marijuana, a last-minute amendment dramatically reduced the number of eligible growers. As part of the amendment, only five licenses were to be issued to nurseries, one in each of five defined regions in the state. Also, the amendment installed seemingly arbitrary criteria such as being in business for 30 contiguous years, being able to maintain 400,000 plants, and a bunch of qualitative variables. This amendment limited the pool of applications drastically.

[News report](#) speculated that the amendment was pushed by lobbying efforts of the Florida Nursery, Growers and Landscape Association, essentially a lobbying organization that represents private growers. The Association acknowledges that it had a hand in the amendment but refutes claims that the amendment was drafted by them.

“The association did not help write the amendment. What (the association) did was throughout the session was to emphasize to legislators that if it was going to move forward on any type of medical marijuana bill, what they needed to do was ensure Florida agriculture, and especially nurseries that have greenhouse infrastructure, are not left on the cutting room floor.” - Ben Bolusky, association CEO.

One of the state representatives who voted on the bill is Halsey Beshears, whose campaign treasurer is the lobbyist for the Florida Nursery Growers Landscape Association. Halsey himself used to be president of this very association. Rep. Halsey Beshears [grew up](#) with J.T. Burnette and is the brother of Trulieve director Thad Beshears.

The Simpson nursery is a Beshears family business. When Halsey Beshears first ran for the House he was chief financial officer of Simpson Nurseries. Additionally, Beshears' cousin is Adam Hollingsworth, Gov. Scott's chief of staff. The Tampa Bay times called out a conflict of interest as [early as 2014](#). Thad Beshears had already been working with Hackney nursery. JT Burnette and the law firm that helped Trulieve filed the application, Dunlap & Shipman, are frequent [donors](#) to Beshears political campaigns.

It even goes further. Burnette, Kim Rivers, and several associates and their businesses are [reported](#) to have set up loopholes to finance Halsey Beshears political progress. The same people mentioned in relationship to the campaign financing issue appear also on the FBI subpoena: Frank Whitley, Chad Kittrell, and Kim Rivers.

Obviously, there were multiple strong conflicts of interest that were blatantly ignored.

The amendment destroyed the competition for licenses. According to the Department of Agriculture and Consumer Services only five nurseries that met those minimum requirements at the time in the Northwest region.

- Clinton Nurseries of Florida, Gadsden County
- Hackney Nursery, Gadsden County
- May Nursery Inc., Gadsden County
- Oglesby Plants International, Calhoun County
- Simpson Nurseries, Jefferson County

We note that Oglesby Plants might be connected to Melissa Oglesby, a local businesswoman, who is close to JT Burnette. She was named in the [subpoena](#) the FBI issued in 2017 to seek CRA records.

Kim Rivers admitted that Trulieve insiders had had [known each other](#) in some form or fashion for years prior to medical marijuana laws being passed in Florida. The amendment resulted in almost all eligible applicants linking back to the same insider network. This is a text-book perfect example of rigging the political system for the benefit of insiders to the detriment of the public.

A three person committee ultimately decided on the first recipients of marijuana licenses and unsurprisingly, Hackney who filed combined with May nursery and Simpson nursery won the bid for the Northwest license. Many people were outraged by the [procedure](#), as it limited the pool of potential applicants drastically, and led to oligopoly like structures rather than a competitive market.

One of the competing bidders, Alpha Foliage which is associated with the Surterra brand, [challenged](#) Trulieve's application directly.

Even though there were more licenses granted, the result of the limiting amendment is that the value of Florida cannabis licenses ended up being vastly inflated.

The political inside game of Florida medical marijuana licenses has attracted shady investors who are trying to secure their piece of the pie. Remember Lev Parnas and Igor Fruman, the two soviet born US citizens close to Rudy Guiliani and involved in campaign financing scandals? [Recently](#), the FBI alleged in an indictment that Parnas, Fruman with a couple California co-conspirators, were planning to donate \$2 million of questionable provenance. The money was supposed to buy the political favor necessary to snag a lucrative medical marijuana license in Florida.



The charges are very serious, and allege the individuals involved ran a bribery and extortion ring out of their Governance consulting firm and committed bank fraud in real-estate deals. Racketeering, falsified statements, if true there seems to be tremendous criminal energy behind these activities bordering on organized crime. Burnette is a key partner of the criminal “Enterprise” the individuals ran, and other individuals that were part of this enterprise, known and unknown, are also part of the scheme. The FBI used several undercover agents and set up at least one fake medical marijuana company. The indictment describes how Brunette bragged about him ripping off people and throwing threats around. Quotes by individuals like “Maddox only goes through Burnette”, and “Burnette is my guy” indicate that Burnette was central to this scheme.

In August 2019 Maddox and Carter-Smith plead guilty to three of the 42 charges and could be looking combined at as much as 45 years in prison.

Burnette’s trial is currently ongoing but delayed because the extensive and newly discovered evidence.

Kim Rivers and JT Burnette married just before the indictment was handed down. Spouses can’t be compelled to testify against each other, so the timing looks suspicious.

Trulieve discloses in its filings the fact that Kim and her husband were subpoenaed, but also note that so far these investigations don’t involve Trulieve. But we believe they soon will.

The FBI has repeatedly stressed how its cracking down on [corruption](#) in North Florida. Maddox and Carter-Paige were the first dominos to fall, and the corruption network extends to Trulieve.

5.1 Other Shady Characters

Another prominent Capitol player, Nick Larossi, is also indirectly caught up in the probe. He put money into the Edison restaurant and is involved in many of JT Burnette’s projects.

Nick Larossi used to be a [lobbyist](#) for Trulieve.

Kayvan Khalatbari was an advisor to Trulieve and involved in the early beginnings. He has gotten in contact to the company [through](#) Burnette and Rivers. At the time Kayvan was the CEO of Denver Relief, and would later be involved in possible medical marijuana [antitrust violations](#). Kayvan has since sold his dispensaries in Denver.

The presence of more legally suspicious individuals who are also involved with Trulieve and Burnette, should be troubling to investors.



6. More Undisclosed related Party Dealings

We established before that Trulieve is lying about the related party nature of certain lenders. But these are not the only shady undisclosed related party dealings we found.

6.1 One More Wish

One More Wish is like most of the companies in Kim Rivers' and Burnette's network: A murky company without business website, any kind of description about what it does, and a weird name. Trulieve doesn't disclose its existence.

The Principal address of One More Wish, LLC is 178 May Nursery Rd, Havana, FL 32333, which is the address of the May Nursery, and was changed in February 2018. [Warranty records](#) show that previously One More Wish's address was 3919 W Millers Bridge Road, Tallahassee, FL 32312, which is Kim Rivers and Burnette's home address.

Florida county records show that One More Wish bought a property at Blue Star Highway in Quincy in June 2018 and [sold it to Trulieve](#) in August 2018 for a 42% gain which translates to over 800% annualized return. The timing of this transaction was also very suspicious, as it must have become clear to insiders that with the upcoming offering funds would come available to the firm. Why not flip some land for a nice gain into the own pockets. The letter of intent to reverse merge Trulieve into a public shell was signed in June 2018.

This exact property was sold in a sale leaseback commitment to IIPR for \$1,700,000, which is very weird because our otgdd indicates that this is not the property described in the press release by IIPR. Our on the ground research showed that [this](#) parcel has the warehouses described in the PR, which Trulieve also happened to have acquired from One More Wish. In fact, One More Wish sold two more properties to Trulieve for spectacular gains. One more Wish bought [this property](#) in December 2017 for \$20,000 and [this property](#) in April 2017 for \$1,200,000. Both were sold together to Trulieve in June 2018 for \$2,170,000.

We also note that One More Wish buys properties from an entity with the peculiar name Big Wish LLC. We were able to link Big Wish to the very same network. Records don't show any registered agents or addresses for Big Wish that have anything to do with insiders, but we found an easement from 2017 where JT Burnette signed as the representative of both One More Wish LLC and Big Wish LLC.

	Prepared by and return to: Mark N. Taylor	OFFICIAL RECORDS: 1 of 3	Recording Fee: \$27.00
	Talquin Electric Cooperative, Inc.	Book: 841 Page: 1571	Doc Stamps: \$0.70
P.O. Box 1679: Quincy, Florida 32353			
TALQUIN ELECTRIC COOPERATIVE INC.			
UTILITY EASEMENT			
KNOW	ALL	MEN	BY
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			undersigned,

as personal representative or			
authorized agent for One More Wish, LLC & Big Wish, LLC , (hereinafter referred to as GRANTOR), and			
whose address is, 6749 Ben Bostlick Road, Quincy, Florida 32353 , for good and valuable consideration, the			



There seems to be a pattern where Big Wish LLC purchases properties at distressed prices, sells them to One More Wish, which then sells them on. This pattern reminds us of the property short sale scheme that Maddox and Carter Paige orchestrated, but is impossible to prove without inside records.

6.2 Extensive Dealings with Burnette's Real Estate Company

Burnette is obviously in trouble for serious charges, and we expect further investigations into his and Kim River's activities when it comes to raising money from the CRA and how these funds are used. Trulieve discloses that a spouse of an officer and director is a minority owner of a company that provides construction services to Trulieve. In 2018 that construction company received payments of \$8.7million and in the first three quarters of 2019 the construction company was already paid almost \$28 million. We are talking about meaningful amounts.

Florida county records show that the unnamed construction company is no other than Burnette Construction and Development, Inc. This exact company was also mentioned in the FBI subpoena and deeply involved in the projects where we speculate money was siphoned off.

Our research identified three notices of commencement, one dated April 2018 between Trulieve and Burnette Contracting for storm water drain improvements at 816 Commerce Blvd, one dated September 2018 with Burnette Construction for the improvements to 130 North Virginia Street, and one between Trulieve Capps Highway LLC and Burnette Construction.

7. On the Ground Due Diligence

We did extensive on-the-ground due diligence (otgdd), visited all warehousing and manufacturing facilities, and flew drones over the areas we inspected to get the most accurate picture. We found a few things that were huge red flags.

Trulieve disclosed in its Listing Statement form that it operates approximately 468,000 square feet of total cultivation facilities across three sites, and has grown this to 1,684,408 square feet of cultivation facilities across five sites. We believe the vast majority consists of low-quality hoop houses that are prone to infestations and weather damage.

7.1 Trulieve produces mostly with Hoop Houses

Our research of county records indicates that Trulieve is producing marijuana outdoors in two locations in Quincy.



When we visited, we found a huge row facility with 9 foot chain linked fences with barbed wire at the top, security cameras and armed guards. Hackney nursery is in Quincy, we were told by locals that Trulieve has hired about half of the small town. All the facilities have just gone up in the past year, and they flew a grow expert in from California to oversee the operation.



We estimate this area of hoop houses to cover at least 430,000 and 1,010,000 square feet per location, which would combined make up the vast majority of Trulieve's cultivation surface. We believe that Trulieve has been supplementing if not getting most of their marijuana supply from these low-quality outdoor production hubs.



Florida is the most humid state in the U.S. Tallahassee has an average humidity level of 75% which is too high for every step of cannabis growth. While cannabis plants don't usually die from the heat, too hot temps will cause plants to grow much more slowly.

Trulieve's government-mandated obligation to the medical patients of Florida is to provide a safe, clean, and efficacious offering of medical cannabis treatment options. Cultivation of safe and high-quality cannabis in a humid, equatorial microclimate such as Florida requires careful selection of genetics, environmental controls, IPM (integrated pest management), and harvesting practices. The aforementioned variables are critically interconnected whether you are cultivating indoors in an enclosed warehouse, in an enclosed greenhouse, or in Trulieve's case, a large trench of open hoophouses.

As Florida is the most humid state in the U.S. it is a geographical outlier within the greater United States. If one is to cultivate cannabis exposed to the local environment, careful care must be taken to cultivate cannabis genetics that are acclimated to the local microclimate and to provide specialized, vigilant protection to plants throughout the growth cycle. If hoop house cultivation is quickly and reactively implemented to supplement low performance at existing warehouse facilities, the outcome will most likely be a low quality and in this case, dangerous end product.

Many plant diseases conducive to Florida's humid environment greatly increase health risks to humans when consumed, namely *Botrytis cinerea* (grey mold). Combusting and/or inhaling grey mold can worsen symptoms of asthma and induce lung infections along with multiple autoimmune diseases (of which many are qualifying conditions to become a Florida medical cannabis patient, in a bit of tragic irony).

As shown below, a picture taken of Trulieve's "Dutch Hawaiian" cultivar by a Florida medical patient shows that contaminated flower has been sold as-is to Florida patients.



In the heat, cannabis is also more susceptible to many problems, including [spider mites](#), [white powdery mildew](#) (especially if it gets humid, too), [root rot](#), [nutrient burn](#) (from increased water transpiration), increased stretching, wilting due to root oxygen deprivation, and reduced “smelliness” of buds (as [terpenes](#) can burn away at higher temps). High Humidity can lead to slow growth, mold and bud rot.

7.2 The Other Facilities

We confirmed the existence and location of other facilities. We also visited Simpson Nursery and May Nursery, which both don’t show any signs of marijuana production, but are still ordinary nurseries. We believe Simpson Nursery and May Nursery were only involved to help Trulieve get it’s license, and show no signs of operational contributions to Trulieve. We can understand how other applications and potential applications felt mistreated in the licensing process.

We visited Trulieve’s processing facility in Midway Florida on Tuesday November 26th. It was a large building roughly 100,000 square feet with armed guards, a guard booth and a 9 foot chain linked fence with barbed wire and security cameras. As we approached we could smell marijuana from about 200 feet away. There was a huge parking lot across the street packed with dozens of cars of employees.

We visited the Virginia Street Indoor Growth facilities on Monday November 25th in Quincy, Florida. The facility consisted of two large dark green buildings. The larger building was massive in size. The smaller of the two was easily 300 feet long by 80 feet wide. The entire facility was surrounded by a 9 foot chain linked fence with barbed wire, there was a security booth at the main gate and they had security cameras and a hummer driving security personnel. We moved freely outside this facility, it was located in a residential neighborhood of modest homes. We were told by a local source that this building was less than a year old and all facilities had been constructed very quickly.



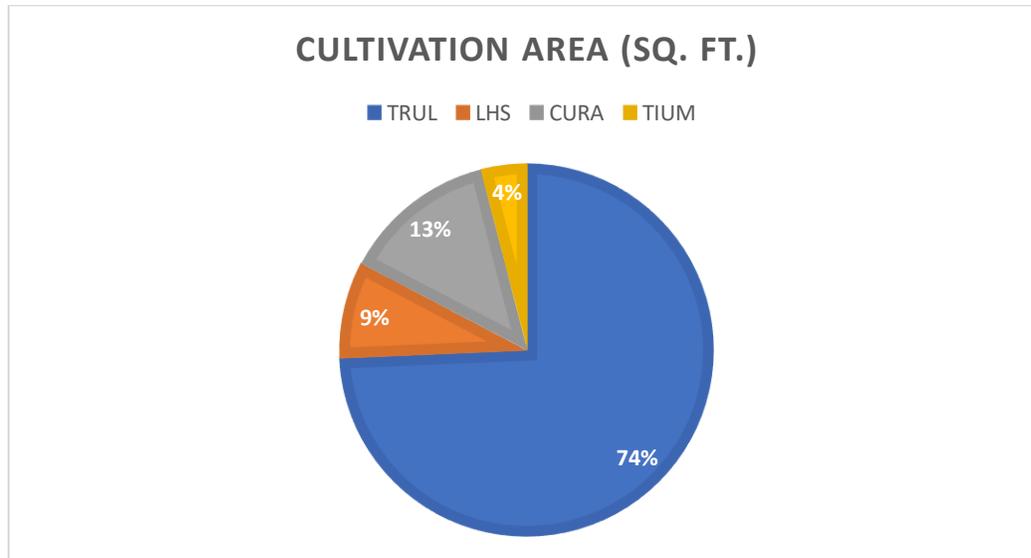
We visited the head office and warehouse on Monday November 25th at 6749 Ben Bostic Rd Quincy, Florida. The facility consisted of 5 to 6 massive warehouse buildings where workers wore what looked like hazmat suits. The facility was heavily fortified with 9 foot chain link fencing with barbed wire on top. Security cameras and as you know very aggressive security guards who were off duty Quincy Police. These building were not painted in the Trulieve dark green as the Indoor Grow facility and the Processing Plant.

8. Why we are Suspicious of Trulieve's Financials and Claims of Profitability

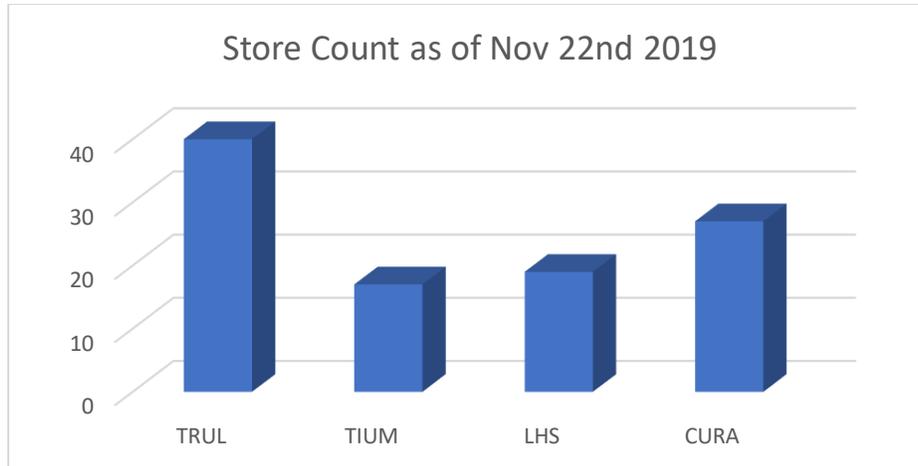
Trulieve has shown spectacular growth since going public. The company reported rapid increase of cultivation surface and store openings.

	Cultivation Area (sq.ft.)	Production Capacity (kg - annually)	Plant Yield (g per sq.ft. - annually)
Q3 2018	500,000	19,429	39
Q4 2018	638,000	29,235	46
Q1 2019	686,000	34,956	51
Q2 2019	1,612,408	54,609	34
Q3 2019	1,684,408	63,190	38
<i>Source: TRUL management discussions</i>			

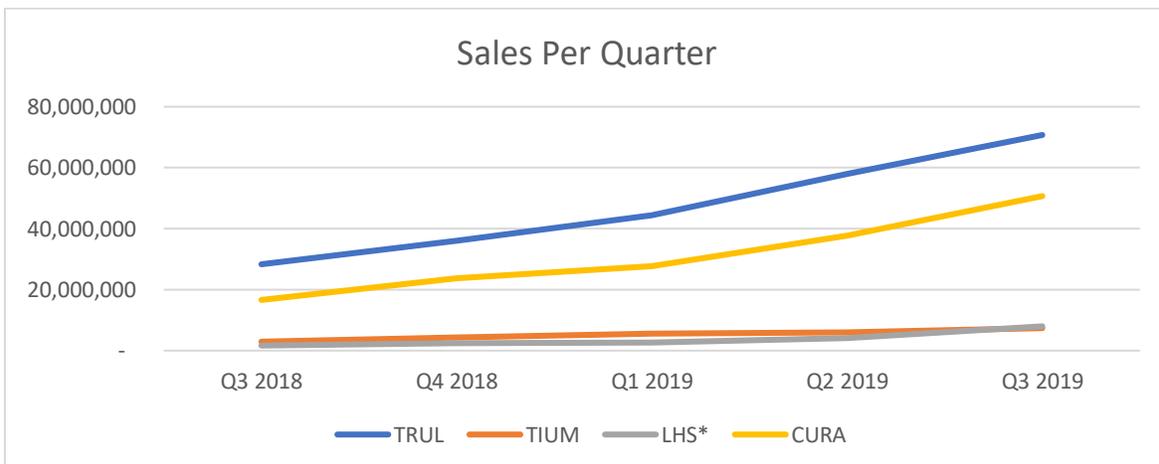
As we can observe, cultivation area has increased significantly in the past, especially from Q1 to Q2 2019. Meanwhile, plant yield has surprisingly been maintained at a relatively constant level. The rapid expansion and increase would require large capital investments and should substantially affect the cashflow statement. In addition, we question the quality of the cultivation facilities and products produced in such a rushed form. These suspicions are confirmed by our on the ground due diligence. As discussed before, we found approximately 1.4million sqft of hoop houses that might be quick an easy to set up, but won't produce the sought after quality flowers the market is really looking for. Building actual high quality production facilities will require a lot more capex.



Trulieve has well exceeded its peers in the firm's total cultivation area count. It has also exceeded competitors in stores (dispensary) counts.

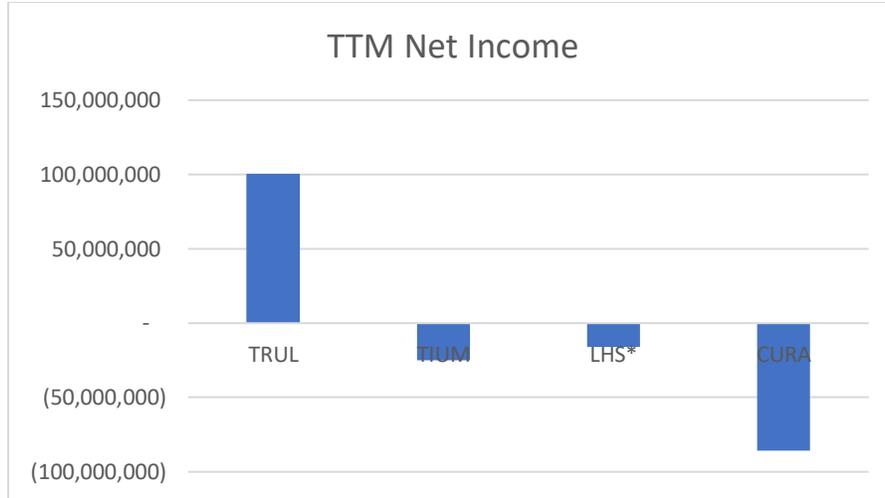


We see that Trulieve certainly has been very busy expanding in the past. Typically, with this rapid expansion, there are downward pressures on financial performance, as large amount of resources are diverted into investments. However, Trulieve has managed to surpass common sense and achieve profitability regardless despite virtually all its peers (who aren't expanding as fast) are showing losses and negative operating cashflows. In fact, they appear to be outperforming on every single metric.



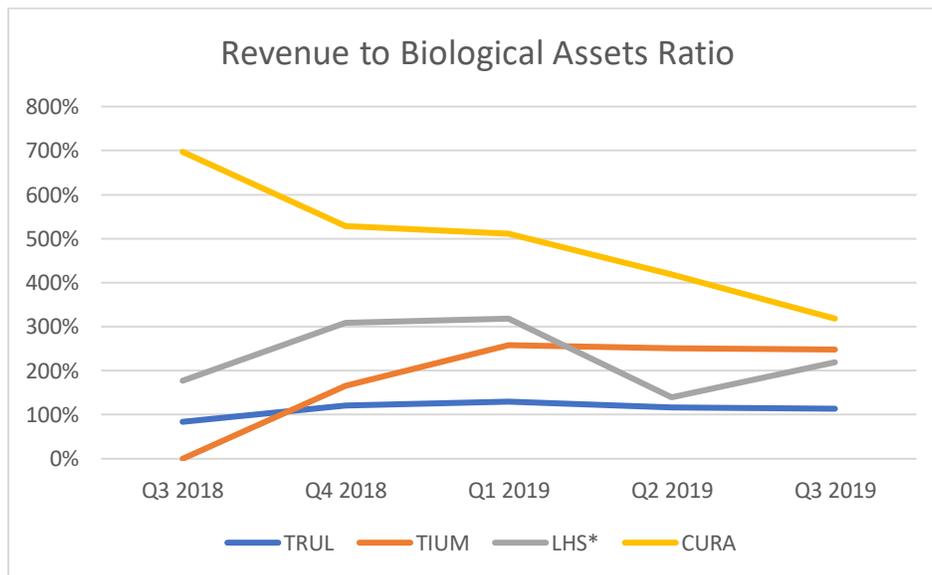
* LHS quarter ends one month prior to comps and is denominated in CND, which is converted to USD at 0.75USD/CND

Trulieve sports unbelievable gross margins of 130% on average. This is mainly due to the biological assets fair value adjustment that is widely adopted within the industry. However, Trulieve seems to be aggressively using this accounting method towards its benefit to inflate its gross profit and margins.

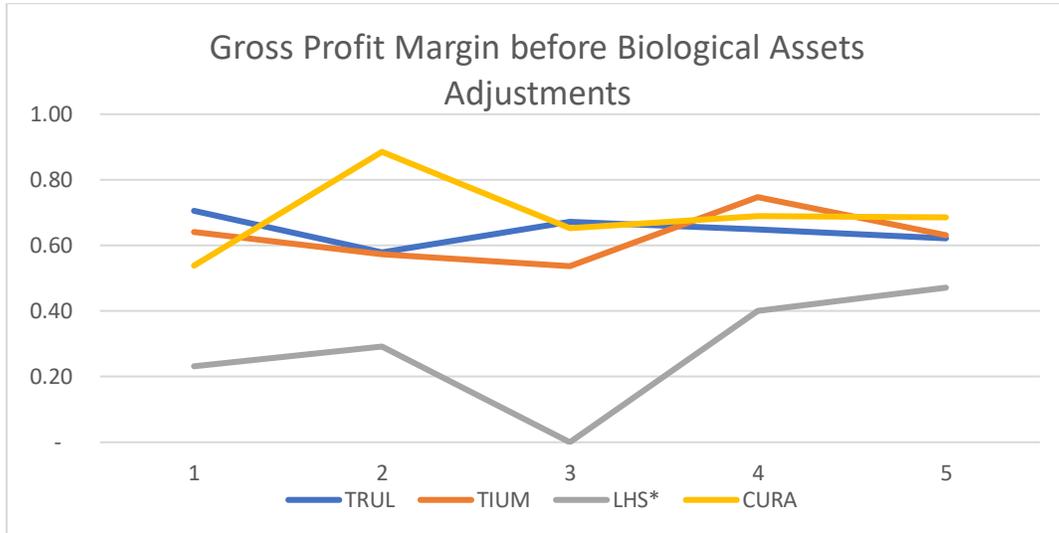


While almost all others are operating at a net loss during the examined horizon, Trulieve (using its biological assets mark-ups), was able to consistently achieve positive net income with an astounding net profit margin of as high as 99%.

Upon closer inspection we realize that at any given time, Trulieve holds an abnormally large amount of biological assets. Biological assets should typically be used to support revenue. However, we are seeing that Trulieve’s biological assets utilization efficiency is relatively low compared to peers. In other words, for every dollar in biological assets, Trulieve is able to generate the least amount of dollar sales. This strongly suggests that the mark-up on these assets is overstated.

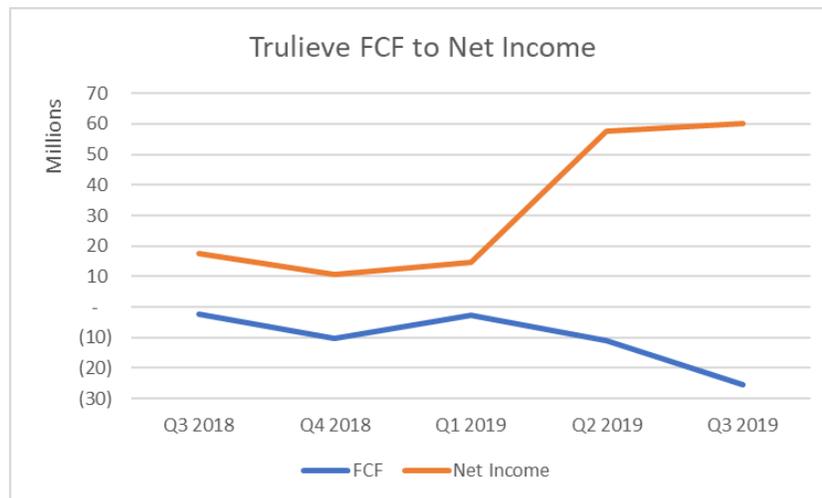


In addition, after removing the biological asset adjustment effects on gross profits, we see that there is actually nothing special about Trulieve’s operations. The “advantage” they purport comes from accounting maneuvers on the biological asset balance.



Biological assets valuations are very subjective and relies heavily on management input. It is a great way to boost P&L statements by artificially boosting gross profit and net income margins. We have seen before how paper accounts are abused to create the desired financial statements. Huishan Dairy used fake biological asset mark-ups to boost its financials, the company was exposed by Muddy Waters in December 2016.

Even though the company has portrayed it is profitable, we are highly suspicious. FCF is defined as operating cash flow minus capital expenditures. It is hard to tell from the outside how much of the company’s investment cash flow is attributable to maintenance capex and how much is growth capex. But we note that without outside financing the company couldn’t have sustained itself in a single quarter. We defined Free Cash flow as the sum of Operating Cash Flow and Financing Cash Flow.



We discovered Trulieve's cultivations to include large areas of hoop houses where low quality product is grown. This amongst the other lies the company told its investors makes us highly suspect of the big biological asset mark ups that occur every quarter.

Lastly, we are confused by Trulieve taking out small loans from insiders while sitting on a huge cash balance.

Trulieve Questionable Insider Loans

	Q3 2018	2018	Q1 2019
OCF	9,002,091	24,962,800	10,325,876
Cash at hand	42,137,751	24,430,108	20,578,567
Loans	262,000	895,775	257,337

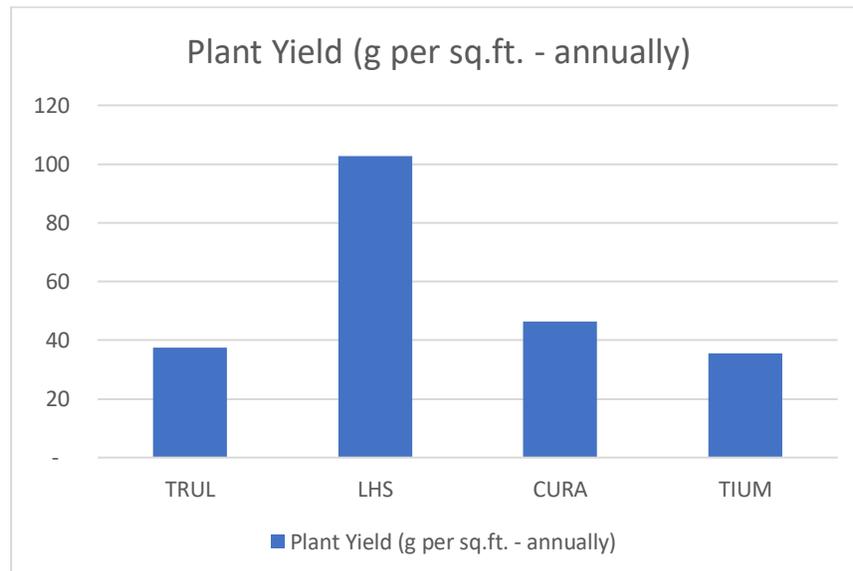
Source: TRUL financials

We ask, why take a less than \$250,000 8% interest rate loan from directors when you supposedly have at least 27x in both operating cash flow and cash at hand? This once again casts doubt on the validity of the operating wellness of the firm and the accuracy of its financial statements.

8.1 Trulieve faces Strong Economic Headwinds

On the production side, our OTGDD shows that large parts of Trulieve's outdoor cultivation areas are of hoop houses, which won't be able to produce the highly desired flower efficiently. The company needs to spend significantly more capex to catch up on supply for the already existing dispensaries.

Moreover, competitors are operating just as, if not more efficiently than Trulieve. LHS for example is able to achieve a combined cultivation yield of 103g/sqft. annually, which is vastly higher than the modest 38 g/sqft.. In addition, private players such as Surterra Wellness, AltMed and VidaCann are all growing more efficiently than Trulieve.





As for the company's plan to expand beyond Florida into Massachusetts, California and Connecticut. We are highly doubtful and don't believe the company has a competitive advantage in states where others fail to grow profitably.

8.2 Acquisitions won't Save the Company

The company has to keep growth excitement going, and announced has done several acquisitions that we don't have high hopes for. Besides the super competitive state of California, all other states Trulieve seeks to expand to are relatively small cannabis markets compared to Florida.

8.2.1 Life Essence

Life Essence LLC was acquired by Trulieve on December 13, 2018 for the purpose of acquiring licenses to operate three medical marijuana dispensaries and a marijuana cultivation and processing facility in Massachusetts. [Records](#) indicate that the acquisition actually happened on November 6th 2018. The acquisition was financed with \$4.4M cash on hand, of which constituted solely of dispensary license (valued at \$4.5M).

Later on May 31st, Trulieve Holyoke Holdings LLC was incorporated with the same resident agent address as Life Essence LLC at [84 State Street, Boston, MA, 02019](#). Shortly after, the holding company purchased a building at [56 Canal Street and 7 North Bridge Street](#), Massachusetts 01040 for a price of \$3.2M from Frankie Chips Assoc., Inc..

However, a partial sale of a part of the building was later sold to Trulieve on July 11th 2019 for \$300,000. Trulieve failed to disclose this. Later the property was sold to IIP for \$3.5M IIP is said to reimburse renovation costs for up to \$40M and the lease ends in 10-years. The building is over 150 years old. To achieve the purported "high quality production facility" story, Trulieve has to start investing heavily in the area.

8.2.2 Leef Industries LLC

Leef industries LLC was acquired on November 30th, 2018. The purpose of this acquisition was to acquire the recreational marijuana license in California. The acquisition was financed with \$4M in cash and included one dispensary. As of the date of this report, [records](#) indicate that the status of Leef Industries, LLC is actually FTB Suspended. [FTB suspended](#) typically relates to failure to meet tax requirements.

If your business is suspended

You cannot:

- Legally do business
- Sell, transfer, or exchange real property
- File with an automatic extension
- File a claim for refund
- Start or continue a protest
- Legally close or dissolve your business
- Bring an action or defend your business in court
- File or maintain an appeal before the Office of Tax Appeals
- Maintain the right to use your business name
 - Secretary of State (SOS) will deny your revivor request if the entity name is no longer available.
 - SOS will require your business to [choose a new name](#)
- Retain tax-exempt status.
 - We revoke an organization's tax-exempt status as of the suspension date.

Your business may be subject to a \$2,000 penalty per tax year for failure to file missing tax returns within 60 days after receiving a written demand to do so.

If your business cannot pay its taxes, we may make you personally responsible if you:

- Took assets out of your business
- Have unpaid loans to shareholders
- Paid excessive salaries to officers

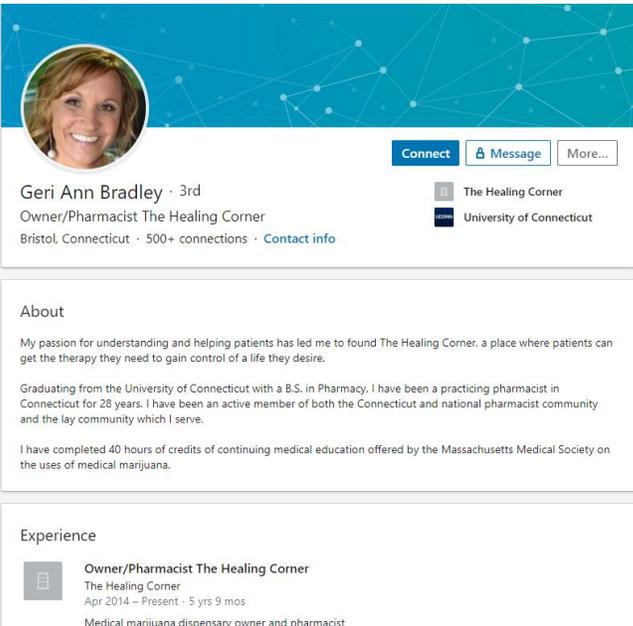
Leef Industries was purchased by Trulieve from Kort Potter, who has had fraud accusations against him related to a solar company he [owned](#). We couldn't link Kort Potter's solar projects to Kim Rivers' Sunnyland solar venture, but the parallels are almost comical.

8.3.3 The Healing Corner

On May 21, 2019, Trulieve acquired The Healing Corner, Inc. The purpose of this acquisition was to acquire the marijuana license in the State of Connecticut. The acquisition was financed with \$19.9m in cash. The main assets acquired included a dispensary license valued at \$14.3M and goodwill of \$8.67M. The Healing Corner was originally owned by Geri Ann Bradley. Supposedly, the ownership was completely transferred to Trulieve and she should have only stayed in the company as an employee, however, her [LinkedIn profile](#) and the [company's website](#) all disclosed her to be the owner.



Geri Ann Bradley
Owner &
Dispensary/Pharmacist



Geri Ann Bradley · 3rd
Owner/Pharmacist The Healing Corner
Bristol, Connecticut · 500+ connections · [Contact info](#)

About

My passion for understanding and helping patients has led me to found The Healing Corner, a place where patients can get the therapy they need to gain control of a life they desire.

Graduating from the University of Connecticut with a B.S. in Pharmacy, I have been a practicing pharmacist in Connecticut for 28 years. I have been an active member of both the Connecticut and national pharmacist community and the lay community which I serve.

I have completed 40 hours of credits of continuing medical education offered by the Massachusetts Medical Society on the uses of medical marijuana.

Experience

Owner/Pharmacist The Healing Corner
The Healing Corner
Apr 2014 – Present · 5 yrs 9 mos
Medical marijuana dispensary owner and pharmacist

We fail to understand why Trulieve paid \$9million in goodwill for the acquisitions, while the license was already valued at 3 times the price in previous acquisitions.

9. Conclusion – There ain’t no such Thing as Halfway Crooks

We laid out our case why we believe the Trulieve cannot be trusted. We caught the company in a couple of outright lies: Trulieve lied about lenders being third parties, and failed to disclose real estate transactions with Insiders that led to insiders handsomely profiting. The company touts its high-quality indoor production, but we found roughly 1.4million sqft of low quality hoopouses (Trulieve discloses 1.7million sqft total). Claims of profitability rely entirely on what we believe to be inflated asset mark ups.

CEO Kim Rivers and her husband JT Burnette are at the very center of a political crime ring the FBI has subpoenaed, and we have shown the multiple previously unknown connections between Trulieve and Burnette. We expect serious consequences for CEO Kim Rivers and Trulieve. They have been crooks then, and they are crooks now. We think Trulieve is absolutely uninvestible.