

Using a Franchise Model, Inner Spirit Holdings is enabling Investors and Entrepreneurs to get into the Recreational Cannabis Market with their Boutique Spiritleaf Stores



**Darren Bondar, MBA
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CEOCFO: *Mr. Bondar, introduce us to Inner Spirit Holdings. How long have you been with the company, what attract you and what did you bring to the table that impacted the company?*

Mr. Bondar: I founded Inner Spirit Holdings in early 2017 when we saw the opportunity of recreational cannabis retail in Canada. I bring twenty years of retail and franchising experience from the first company I

founded; it was a company called WATCH IT!, which was a retail watch specialty company. We thought that we could apply the same business fundamentals to the cannabis space.

CEOCFO: *Would you tell us about Spiritleaf? What makes it a unique consumer experience? What sets you apart from other cannabis retailers?*

Mr. Bondar: Spiritleaf focuses not just on cannabis, but it is kind of a lifestyle company. I think where a lot of other potential retailers have fallen short is they open their doors, but have not really given much thought to the consumer experience: the branding, the marketing, and everything that goes into what it takes to create a successful retailer and brand. I think that kind of key fundamental of marketing and branding is going to be really important; it's also quite unique to the cannabis space and not a lot of companies have the experience and know-how to execute.

CEOCFO: *When a consumer walks through the door what are they getting different visually or an experience that they would not get at other stores?*

Mr. Bondar: It will be the experience of walking into a higher-end boutique that will appeal to the grass roots cannabis user, the soccer parent, as well as the executive. You are going to be able to look at the different strains of cannabis and see that there is a technical element to it, with well-trained staff to guide you. You will be able to say something like "tonight I want to go out and party or socialize" and we will be able to direct you to the correct strain. I think it is going to be quite unique. In Canada it is all new but I think it will be a whole new experience.

CEOCFO: *Why is franchising the revenue generating model you chose to go with?*

Mr. Bondar: There are a number of reasons we chose to go with a franchising model. One is from the financial standpoint, the low CapEx model is appealing in the marketplace. We are able to execute and open up one hundred stores without having to pay for those build-outs, through expending those CapEx. We do support our franchise partners and to be able to do that is very unique in the cannabis space - I do not think anyone else has been able to implement it. It is also quite attractive that licenses are being issued across Canada. It is powerful to be able to have a network of

franchise partners working with their communities, introducing the brand, and talking to municipalities in ways that one company with a CEO and head office just cannot do. We have one hundred people in various cities across Canada working their magic and trying to execute our business plan.

CEOCFO: *What does it mean for you to be the first and only Canadian retail cannabis company to be granted Canadian Franchise Association Membership to date?*

Mr. Bondar: The Canadian Franchise Association is a great organization in Canada. It is really the voice of franchising and the governing body. They have an excellent reputation and conduct extensive due diligence, so they give us the credibility to be able to do what we are doing. We are excited and proud about our membership.

CEOCFO: *How do you reach out to potential franchise owners?*

Mr. Bondar: Back in 2017 when we started doing this we implemented a pretty extensive franchise advertising campaign, so a lot of digital work, and our website a key driver to that, but we also attended various trade shows and advertised in industry publications. We've now received over 2,500 applications over the last eighteen months for people to open franchises, so the interest has been quite incredible.

CEOCFO: *What type of support and training do you offer franchise owners and what has been their response to the relationship as it unfolds? Are you involved in the management of a franchise or are you hands-off?*

Mr. Bondar: We supply everything to set our franchise owners up for success. We supply everything from marketing to POS systems, to accounting, store design, and assistance with government applications. So really the gamut. We had our first annual general meeting in May to really showcase everything we are doing for our franchise partners, and it blew everyone away. I think it gave everyone the confidence that they bought into a strong company that knows what they are doing on the retail and franchise side.

"We are a trailblazer. Since the moment we knew recreational cannabis retail was going to happen in Canada, we have worked towards being a brand leader in this space, and now we really are – we are the first member of the Canadian Franchise Association and the first recreational cannabis retail company to complete a public offering." - Darren Bondar, MBA

CEOCFO: *Would you tell us about the products sold at Spiritleaf? Are these products developed by Inner Spirit Holdings or come by way of acquisitions or partnerships? Do they come from wholesalers or growers?*

Mr. Bondar: We have a number of products. We have the accessory products, and many of those we have developed ourselves, such as grinders, papers and rolling trays; various accessories that users will need to consume their cannabis. We also recognize brand name accessory products such as RAW and Marley Natural, so there is a familiarity for customers. On the cannabis side we have done some really cool partnerships, one is with Auxly Cannabis Group Inc. (TSXV:XLY), so we will be showcasing and providing their brands. We've also partnered with Newstrike Brands Ltd. (TSXV:HIP), which is well-known in Canada for their affiliation with the Tragically Hip and Up Cannabis, so we will be showcasing their brands, as well as some other well-known cannabis companies and brands. The cool thing about our model is we also have our proprietary brands, which aligns with the low CapEx model. We are not a grower, but some of our partners will eventually white-label it for us. Therefore, we do not need to spend \$15 - \$20 million on a facility. We have partnerships and agreements in place that will produce our proprietary house brands like Prairie Flower, our own SPIRITLEAF brand, and Ruby which is a female focused brand. It is a cool and unique, vertically integrated offering.

CEOCFO: *How do you go about creating your own brands?*

Mr. Bondar: We have created the brands from a marketing and packaging perspective and we are working with our licensed producer partners to provide the various strains and inputs.

CEOCFO: *Inner Spirit closed its initial public offering at the end of July? What does it mean for you to now be traded on the Canadian Securities Exchange? Did you raise the funds needed to continue to grow your business?*

Mr. Bondar: When we set this up we really wanted it to be a community-owned company. Our franchise partners, our staff, our investors, and now the public all have the chance to invest in the first recreational cannabis retailer in the country. It was an exciting milestone for us as the first recreational cannabis company to do a true IPO through the Alberta Securities Commission. I think that lends a lot of credibility while offering investors the opportunity to participate in our development. That was something that was important to us. We raised the maximum amount under the IPO which will help us grow this company, perhaps even beyond anybody's expectations.

CEOCFO: Do you attend industry conferences and now that you are a public company will you be attending investor conferences and going on road shows?

Mr. Bondar: Yes. We have attended dozens over the last eighteen months. We have attended the Arcview Conference, and a number of local investment conferences. I am actually on my way to the MJ Biz conference in Toronto tomorrow. We participate in all the different cannabis tradeshows and franchise tradeshows in Canada so we are active members, we exhibit and participate and we network well. I am sure road shows are in our future.

CEOCFO: Do you see Spiritleaf adding other types of products such as oils and tinctures?

Mr. Bondar: The Canadian government taking it slow, so I think flowers and gel caps are going to be the intro, but by 2019 you will start seeing more vaporizers and edibles coming on line and we plan on participating in that market.

CEOCFO: In closing, would you address our readers and investors worldwide, why should they keep an eye on InnerSpirit Holdings?

Mr. Bondar: We are a trailblazer. Since the moment we knew recreational cannabis retail was going to happen in Canada, we have worked towards being a brand leader in this space, and now we really are – we are the first member of the Canadian Franchise Association and the first recreational cannabis retail company to complete a public offering. I think we have a great opportunity here to provide value for our shareholders on a number of fronts from all the different revenue streams including corporate retail stores, franchise revenue and revenue from the different brands that we created and we will be selling. I think it is exciting and a great opportunity to get in on the ground-floor of this new industry. The next phase is retail and brands, and we are it in Canada.

**INNER SPIRIT
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