

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered by this short form prospectus have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), or any state securities laws. Accordingly, the securities may not be offered or sold within the United States or to, or for the account or benefit of, any U.S. persons (as such term is defined in Regulation S under the U.S. Securities Act), except in compliance with the registration requirements of the U.S. Securities Act and applicable state securities requirements or pursuant to exemptions therefrom, and in compliance with the terms of the Underwriting Agreement (defined below). This short form prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities within the United States or to, or for the account or benefit of, any U.S. persons (as such term is defined in Regulation S under the U.S. Securities Act). See “Plan of Distribution”.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Chief Financial Officer of The Second Cup Ltd., Ba Linh Le, at its head office at 6303 Airport Road, 2nd Floor, Mississauga, Ontario, L4V 1R8, telephone (905) 362-1827 or investor@secondcup.com, and are also available electronically on SEDAR, accessible at www.sedar.com.

SHORT FORM PROSPECTUS

New Issue

May 2, 2018



THE SECOND CUP LTD.

\$10,000,170
2,898,600 Common Shares

This short form prospectus (the “**Prospectus**”) qualifies the distribution (the “**Offering**”) of 2,898,600 common shares (the “**Common Shares**”) of The Second Cup Ltd. (“**Second Cup**” or the “**Company**”) at a price of \$3.45 per Common Share (the “**Offering Price**”).

The Offering is being made pursuant to an underwriting agreement dated April 23, 2018 (the “**Underwriting Agreement**”) between the Company and Clarus Securities Inc., acting as sole underwriter and bookrunner (the “**Underwriter**”).

Price: \$3.45 per Common Share

	Price to the Public ⁽¹⁾	Underwriter’s Fee ⁽²⁾	Net Proceeds to Second Cup ⁽³⁾
Per Common Share	\$3.45	\$0.17	\$3.28
Offering Total ⁽⁴⁾	\$10,000,170	\$500,008	\$9,500,162

Notes:

- (1) The Offering Price was established by negotiation between the Company and the Underwriter with reference to the market price of the Common Shares and other factors.

- (2) The Underwriter will be paid an aggregate fee of 5.0% of the gross proceeds from the issuance of the Common Shares (the “**Underwriter’s Fee**”), including the proceeds realized from the sale of any Common Shares sold pursuant to the exercise of the Over-Allotment Option (as defined below).
- (3) Excluding the Company’s expenses of the Offering, estimated at approximately \$320,000. See “Plan of Distribution”.
- (4) The Company has granted the Underwriter an option (the “**Over-Allotment Option**”), exercisable in whole or in part at any time not later than the 30th day from and including the Closing Date (as defined below), to purchase up to an additional 434,790 Common Shares on the same terms and conditions of the Offering to cover the Underwriter’s over-allocation position, if any, and for consequent market stabilization purposes. If the Over-Allotment Option is exercised in full, the “**Price to the Public**”, “**Underwriter’s Fee**” and “**Net Proceeds to Second Cup**” will be \$11,500,196, \$575,010 and \$10,925,186, respectively (excluding the Company’s expenses of the Offering). This Prospectus also qualifies the grant of the Over-Allotment Option. A purchaser who acquires Common Shares forming part of the Underwriter’s over-allocation position acquires such Common Shares under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See “Plan of Distribution”.

Underwriter’s Position	Maximum Number of Securities Available	Exercise Period	Exercise Price
Over-Allotment Option	Option to purchase up to 434,790 Common Shares	Not later than the 30 th day from and including the Closing Date	\$3.45 per Common Share

The Underwriter, as principal, conditionally offers the Common Shares qualified under this Prospectus, subject to prior sale, if, as and when issued, sold and delivered by the Company and accepted by the Underwriter in accordance with the conditions contained in the Underwriting Agreement (defined below) between the Company and the Underwriter referred to under “Plan of Distribution” and subject to the approval of certain legal matters on behalf of the Company by Goodmans LLP and on behalf of the Underwriter by Borden Ladner Gervais LLP.

In connection with this distribution, the Underwriter has been granted the Over-Allotment Option and the Company has been advised by the Underwriter that, subject to applicable laws, the Underwriter may over-allocate or effect transactions intended to stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **After the Underwriter has made a reasonable effort to sell all of the Common Shares offered under this Prospectus at the Offering Price, the Underwriter may reduce such price or otherwise change the selling terms from time to time. Any such reduction will not affect the proceeds received by the Company. See “Plan of Distribution”.**

Subscriptions for Common Shares will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice. The Common Shares will be issued in “book-entry only” form through the facilities of CDS Clearing and Depository Services Inc. (“**CDS**”) or its nominee. Except as otherwise stated herein, holders of beneficial interests in the Common Shares will not have the right to receive physical certificates evidencing their ownership of the Common Shares. The closing of the Offering is expected to occur on or about May 8, 2018 or such later date as the Company and the Underwriter may agree (such actual closing date hereinafter referred to as the “**Closing Date**”). A purchaser of Common Shares, will receive only a customer confirmation from the CDS participant through which Common Shares are purchased. See “Plan of Distribution”.

An investment in the Common Shares is subject to a number of risks that should be carefully considered by prospective investors. See “Risk Factors”.

The Company’s outstanding Common Shares are listed and posted for trading on the Toronto Stock Exchange (“**TSX**”) under the symbol “**SCU**”. On April 16, 2018, the last trading day prior to the announcement of the Offering, the closing price per Common Share on the TSX was \$4.05. On May 1, 2018, the last trading day prior to the date of this Prospectus, the closing price per Common Share on the TSX was \$2.95. The TSX has conditionally approved the listing of the Common Shares offered under this Prospectus, including the Common Shares issuable

upon exercise of the Over-Allotment Option. Listing is subject to the Company fulfilling all the requirements of the TSX on or before July 23, 2018.

The head and registered office of the Company is located at 6303 Airport Road, 2nd Floor, Mississauga, Ontario, L4V 1R8.

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ABOUT THIS SHORT FORM PROSPECTUS

Prospective investors should rely only on the information contained in this Prospectus (including the documents incorporated by reference herein). Neither the Company nor the Underwriter has authorized any other person to provide prospective investors with different information. If a prospective investor is provided with different or inconsistent information, the prospective investor should not rely on such information. The information contained in this Prospectus (including the documents incorporated by reference herein) is accurate only as of the date of this Prospectus (or the date of the document incorporated by reference herein, as applicable), regardless of the time of delivery of this Prospectus or any sale of the Common Shares. The information contained on Second Cup's corporate website is not intended to be included in or incorporated by reference into this Prospectus and prospective investors should not rely on such information when deciding whether or not to invest in the Common Shares. Neither the Company nor the Underwriter is making an offer to sell in any jurisdiction where an offer or sale is not permitted by applicable law.

MEANING OF CERTAIN REFERENCES

References to dollars or "\$" are to Canadian currency. Unless otherwise indicated, the disclosure in this Prospectus assumes that the Over-Allotment Option will not be exercised.

CAUTIONARY NOTE REGARDING NON-GAAP MEASURES

In this Prospectus, the Company reports and refers to certain non-GAAP financial measures such as system sales of cafés. Non-GAAP measures are not defined under International Financial Reporting Standards ("IFRS") and are not necessarily comparable to similarly titled measures reported by other issuers.

System sales of cafés comprise the net revenue reported to Second Cup by franchisees of Second Cup cafés and by Company-owned cafés. This measure is useful in assessing the operating performance of the entire Company network, such as capturing the net change of the overall café network. Changes in system sales of cafés result from the number of cafés and same café sales (as described below). The primary factors influencing the number of cafés within the network include the availability of quality locations and the availability of qualified franchisees.

Same café sales represent the percentage change, on average, in sales at cafés operating system-wide that have been open for more than 12 months. It is one of the key metrics the Company uses to assess its performance as an indicator of appeal to customers. Two principal factors that affect same café sales are changes in customer count and changes in average transaction size.

These measures and terms are intended to provide additional information on Company performance, but do not have any standardized meaning under IFRS and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with IFRS.

CAUTIONARY NOTE REGARDING FORWARD LOOKING STATEMENTS

This Prospectus, including the documents incorporated herein by reference, contains forward-looking information within the meaning of applicable Canadian securities laws ("forward-looking statements"). All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "projects", "estimates", "forecasts", "intends", "continues", "anticipates", or "does not anticipate" or "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "should", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements contained in this Prospectus include, but are not limited to:

- the Company's intention to complete the Offering and the timing thereof;
- expected future growth;

- the legalization of cannabis for recreational use in Canada, including federal and provincial regulations pertaining thereto, and the related timing thereof and the Company's intentions to participate in such market, if and when it is legalized;
- the Company's strategic alliance with National Access Cannabis Corp. and their intention to collaborate on the application for licenses to open retail cannabis stores and the potential conversion of certain Second Cup cafes to retail cannabis stores or vaping lounges;
- the application, grant, renewal and impact of any license or supplemental license to conduct any sale of cannabis in a retail cannabis store or any amendments thereof;
- the expected methods to be used to sell cannabis at any Converted Store (as defined herein);
- statements related to government policies and regulation; and
- demographic trends or the impact on Second Cup's business of current and anticipated economic conditions.

These forward-looking statements reflect the current expectations of the Company's management regarding future events and operating performance, but involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Actual events could differ materially from those projected herein and depend on a number of factors. These factors include, but are not limited to:

- material shifts in demographic trends or actual future market conditions being different than anticipated by Second Cup's management;
- material changes to government policy or regulations affecting Second Cup's operations;
- material changes to government policy or regulations affecting the retail sale of cannabis;
- the approval of any application for licenses to conduct the retail sale of cannabis;
- availability of premium quality coffee beans;
- the ability of Second Cup to attract qualified franchisees;
- the location of Second Cup cafés;
- the closure of Second Cup cafés;
- potential litigation;
- the ability to exploit and protect the trademarks of Second Cup;
- changing consumer preferences and discretionary spending patterns including, but not restricted to, the impact of weather and economic conditions on such patterns;
- reporting of system sales by franchisees;
- the financial performance and financial condition of Second Cup; and
- the risks described under "Risk Factors" and those risks discussed in other documents incorporated by reference into this Prospectus and filed on the System for Electronic Document Analysis and Retrieval ("**SEDAR**"), accessible at www.sedar.com.

Material factors or assumptions that were applied to drawing the conclusions or making the estimate set out in forward-looking statements include, but are not limited to:

- the views of management of Second Cup regarding current and anticipated market conditions;
- expected government priorities and spending;

- the submission by National Access Cannabis Corp. of applications for licenses to conduct the sale of cannabis at 19 initial locations currently occupied by Second Cup cafés.
- absence of material changes to government or environmental policy or regulations affecting Second Cup’s operations;
- management’s views as to demographic trends; and
- the financial and operating attributes of Second Cup as at the date hereof.

Readers are cautioned that the preceding list of material factors or assumptions is not exhaustive. Although forward-looking statements contained in this Prospectus are based upon what management believes are reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements. Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this Prospectus speak only as of the date of this Prospectus. Except as required by applicable securities laws, the Company does not undertake, and specifically disclaims, any obligation to update or revise any forward-looking statements, whether as a result of new information, future developments or otherwise, except as required by applicable law.

ELIGIBILITY FOR INVESTMENT

In the opinion of Goodmans LLP, counsel to the Company, and Borden Ladner Gervais LLP, counsel to the Underwriter, based on the provisions of the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the “**Tax Act**”) in force on the date hereof, the Common Shares will be qualified investments at the time of acquisition by a trust governed by a registered retirement savings plan (“**RRSP**”), registered retirement income fund (“**RRIF**”), deferred profit sharing plan, registered education savings plan (“**RESP**”), registered disability savings plan (“**RDSP**”), or a tax-free savings account (“**TFSA**”), each as defined in the Tax Act (each, a “**Plan**”), provided that, at the time of the acquisition by the Plan, the Common Shares are listed on a “designated stock exchange”, as defined in the Tax Act (which includes the TSX), or the Company is a “public corporation”, as defined in the Tax Act.

Notwithstanding that the Common Shares may be qualified investments for a trust governed by an RRSP, RRIF, RESP, RDSP or TFSA, the holder of a TFSA or RDSP, the annuitant of an RRSP or RRIF or the subscriber under an RESP, as the case may be, will be subject to a penalty tax if the Common Shares are a “prohibited investment” within the meaning of the Tax Act for such TFSA, RRSP, RRIF, RESP or RDSP. The Common Shares will not be prohibited investments for a TFSA, RRSP, RRIF, RESP or RDSP, provided the holder of the TFSA or RDSP, the annuitant of the RRSP or RRIF or the subscriber under the RESP, as the case may be, (i) deals at arm’s length with the Company for purposes of the Tax Act, and (ii) does not have a “significant interest”, as defined in the Tax Act, in the Company. In addition, the Common Shares will not be a prohibited investment if the Common Shares are “excluded property”, as defined in the Tax Act, for trusts governed by a TFSA, RRSP, RRIF, RESP and RDSP. Prospective purchasers who intend to hold Common Shares in a Plan are urged to consult their personal tax advisors.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents, which the Company has filed with the various securities commissions or similar authorities in Canada, are specifically incorporated by reference and form an integral part of this Prospectus:

- the Company’s annual information form (the “**AIF**”) for the year ended December 30, 2017, dated March 28, 2018;
- the Company’s audited financial statements, the notes thereto and the auditor’s report thereon for the years ended December 30, 2017 and December 31, 2016;
- management’s discussion and analysis of the financial condition and results of operation of the Company for the quarter and year ended December 30, 2017 (the “**MD&A**”);

- the Company's management information circular dated March 28, 2018 prepared for the Company's annual meeting of shareholders to be held on May 4, 2018;
- the template version of the term sheet for the Offering dated April 17, 2018, filed on SEDAR in connection with the Offering (the "**Marketing Material**");
- the Company's material change report dated August 10, 2017;
- the Company's material change report dated April 12, 2018; and
- the Company's material change report dated April 17, 2018 relating to the Offering.

Any document of the type described in Section 11.1 of Form 44-101F1 – *Short Form Prospectus Distribution* which is filed by the Company with a securities commission or any similar authority in Canada after the date of this Prospectus and prior to the termination of this distribution shall be deemed to be incorporated by reference into this Prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this Prospectus, to the extent that a statement contained herein or in any other subsequently filed document which also is or is deemed to be incorporated by reference herein modifies or replaces such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed in its unmodified or superseded form to constitute part of this Prospectus.

Information has been incorporated by reference in this Prospectus from documents filed with securities commissions or similar authorities in Canada.

MARKETING MATERIALS

The Marketing Material is not part of this Prospectus to the extent that the contents of the Marketing Material have been modified or superseded by a statement contained in this Prospectus or any amendment. Any template version of "marketing materials" (as defined in National Instrument 41-101 – *General Prospectus Requirements*) filed after the date of this Prospectus and before the termination of the distribution under the Offering (including any amendments to, or an amended version of, the Marketing Material) is deemed to be incorporated by reference herein.

PROSPECTUS SUMMARY

The following is a summary of certain information contained in this short form prospectus and should be read together with the more detailed information and financial data and statements contained elsewhere in this short form prospectus.

- Offering:** 2,898,600 Common Shares. See “Description of the Common Shares” and “Plan of Distribution”.
- Offering Price:** \$3.45 per Common Share. See “Plan of Distribution”.
- Offering Size:** \$10,000,170 (\$11,500,196 in the event that the Over-allotment Option is exercised in full).
- Over-allotment Option:** The Underwriter shall have an over-allotment option, exercisable in whole or in part, for a period of 30 days from and including the Closing Date to purchase up to an additional 434,790 Common Shares for additional gross proceeds of \$1,500,026 on the same terms and conditions as the Offering.
- Use of Proceeds:** The net proceeds of the Offering (excluding the expenses of the Offering) are approximately \$9.5 million, which the Company intends to use for estimated conversion costs related to the Strategic Agreement with NAC (as defined below) and towards potential future business acquisitions.
- Listing:** The TSX has conditionally approved the listing of the Offered Shares including the Common Shares issuable upon exercise of the Over-Allotment Option. Listing is subject to the Company fulfilling all the requirements of the TSX on or before July 23, 2018.
- Closing Date:** Closing of the Offering is expected to occur on or about May 8, 2018, or such later date as the Company and the Underwriter may agree.
- Risk Factors:** An investment in Common Shares is subject to certain risks and investment considerations. See “Risk Factors”.

THE COMPANY

Second Cup is Canada's second-largest retailer of specialty coffee, as measured by number of cafés. Since the opening of its first café in suburban Toronto in 1975, Second Cup's network has grown to 286 cafés across Canada as at December 30, 2017, of which 274 are franchised and 12 are Company-owned. For the fiscal year ended December 30, 2017, Second Cup's system sales of cafés were \$154.2 million.

Second Cup cafés offer a wide selection of hot and cold specialty coffees, teas, hot chocolate, other beverages, and a variety of complementary products, including PinkberryTM frozen yogurt, pastries, muffins, cookies, coffee accessories and coffee-related gift items, with some cafés also offering sandwiches.

RECENT DEVELOPMENTS

Canada's Cannabis Regulatory Environment

Cannabis is a controlled substance listed in Schedule II of the *Controlled Drugs and Substances Act* (Canada) (CDSA). Accordingly, activities related to cannabis are governed by the CDSA and its regulations, including the Access to Cannabis for Medical Purposes Regulations (ACMPR), the Narcotics Control Regulations, as well as other applicable laws. Cannabis is subject to unique and specific regulation in Canada.

In 2000, the Canadian courts ruled that laws prohibiting the possession of cannabis were unconstitutional to the extent that they did not provide medical patients with access to cannabis, where required for their health (*R.v. Parker*). In response to this decision, Canada passed the Medical Marihuana Access Regulations (MMAR) providing medically approved patients with a viable constitutional exemption. In 2013, Canada repealed the MMAR and replaced it with the Marihuana for Medical Purposes Regulations (MMPR) which provided for a commercial industry, responsible for the production and distribution of marijuana for medical purposes (dried marijuana only). These regulations introduced strict controls over the production, storage and distribution of medical marijuana and strict oversight to reduce public health, safety and security risks.

Following the decision in *R. v. Smith*, individuals were permitted to possess marijuana derivatives for medical use. The regulations were again challenged in 2016 in *R. v. Allard* resulting in subsequent changes to the regulatory framework (ACMPR), removing the restriction of having to only purchase marijuana through Licensed Producers (as such term is defined in the ACMPR) and allowing individuals to produce limited amounts of cannabis for their own medical purposes.

The ACMPR are the current governing regulations regarding the production, sale and distribution of cannabis for medical purposes in Canada. The ACMPR provide for three possible alternatives for Canadian residents who have been authorized by their health care practitioner to access cannabis for medical purposes:

1. they can continue to access quality-controlled cannabis by registering with Licensed Producers;
2. they can register with Health Canada to produce a limited amount of cannabis for their own medical purposes (starting materials must be obtained from a Licensed Producer); or
3. they can designate someone else who is registered with Health Canada to produce cannabis on their behalf (starting materials must be obtained from a Licensed Producer).

Bill C-45 and the Anticipated Legalization of Adult-Use of Recreational Cannabis

On December 13, 2016, the Task Force on Cannabis Legalization and Regulation, which was established by the Canadian Federal Government to seek input on the design of a new system to legalize, strictly regulate and restrict access to cannabis, published its report outlining its recommendations. On April 13, 2017, the Canadian Federal Government released Bill C-45, *An Act respecting cannabis and to amend the Controlled Drugs and Substances Act, the Criminal Code and other Acts* ("**Bill C-45**"), which proposes the enactment of the *Cannabis Act* (Canada) to regulate the production, distribution and sale of cannabis for unqualified adult use. On November 27, 2017, the House of Commons passed Bill C-45, and on December 20, 2017, the Prime Minister communicated that the Canadian Federal Government intends to legalize cannabis in the summer of 2018, despite previous reports of a July 1, 2018 deadline. On February 6, 2018, Public Safety Minister, Ralph Goodale, announced that, while Bill C-45 was

still on schedule to receive royal assent in July 2018, implementation of various aspects of the regime, including preparing markets for retail sales, could take another eight to twelve weeks from such date. Bill C-45 is currently before the Senate of Canada. On March 22, 2018, Bill C-45 passed second reading in the Senate. and on March 22, 2018 was referred to a Senate committee, with the most recent committee meeting occurring on April 26, 2018. Bill C-45 must pass a third reading in order for it to become law.

Upon implementation of the *Cannabis Act* individuals of age in their respective province or territory will be able to purchase up to a certain amount of cannabis for recreational use from approved distributors. The impact of such regulatory changes on the Company's business is unknown, and the proposed regulatory changes may not be implemented at all. See "Risk Factors – *Change in Laws, Regulations and Guidelines*".

Provincial and Territorial Regulatory Regimes

While the *Cannabis Act* provides for the regulation of the commercial production of cannabis for recreational purposes and related matters by the federal government, the *Cannabis Act* proposes that the provinces and territories of Canada will have authority to regulate other aspects of recreational cannabis (similar to what is currently the case for liquor and tobacco products), such as sale and distribution, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

The governments of every Canadian province and territory have, to varying degrees, announced proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. These provincial regulatory regimes regarding recreational cannabis distribution, use and consumption are ultimately contingent on the *Cannabis Act* becoming law. See "Risk Factors – *Change in laws, Regulations and Guidelines*".

Bill 26 and the Distribution of Cannabis in Alberta

Alberta Bill 26, *An Act to Control and Regulate Cannabis* ("**Bill 26**") received royal assent on December 15, 2017 and will come into force on proclamation. Bill 26 seeks to amend the *Gaming and Liquor Act* to govern the purchase, distribution, sale and consumption of recreational cannabis in Alberta and proposes a public-private "hybrid" retail model for recreational cannabis sales. Bill 26 will permit the purchase of cannabis through privately run retail stores as well as government-operated online sales. Under Bill 26, federally licensed producers of cannabis will sell cannabis directly to the Alberta Gaming and Liquor Commission ("**AGLC**"), which will then distribute cannabis to licensed private retailers ("**Retail Licensees**") for the sale to the public. Consumption of cannabis will be allowed anywhere that tobacco consumption is permitted, but cannabis use will be banned in vehicles. Smoking and vaping cannabis will be prohibited on hospital, school or child care properties, and within prescribed distances of areas such as playgrounds, sports fields and outdoor pools. Though cannabis cafes and lounges will not be permitted initially, Alberta's legislation gives the authority to regulate these forms of establishments should the province decide to allow them at a later date.

Alberta's proposed regulatory regime for recreational cannabis sales is similar to the distribution system currently in place for alcohol in the province. Only specialized retail outlets will be permitted to sell cannabis. Online cannabis sales will be conducted exclusively by the province.

The AGLC began accepting private retail license applications on March 6, 2018. The AGLC is responsible for granting retail licenses in Alberta ("**Retail Licenses**" and each, a "**Retail License**"), and has advised that the application processing period is approximately two to four months and is subject to AGLC application review policies. Potential retailers and workers will be subject to, among other things, mandatory background checks and no individual(s) or entity will be permitted to hold more than 15% of all Retail Licenses in the province.

Bill 26 also identifies the roles and responsibilities of municipalities in the legalization of recreational cannabis, which include: (i) education, (ii) taxation; (iii) retail location and rules; (iv) public consumption; and (v) land use and zoning. Such municipal regulations remain largely unknown at this time.

Strategic Alliance with NAC

On April 12, 2018, the Company announced that it had entered into a strategic alliance with National Access Cannabis Corp. (“NAC”), a TSX Venture Exchange-listed company that seeks to deliver secure, safe and responsible access to legal cannabis. In accordance with the terms of a strategic relationship agreement dated April 11, 2018 (the “**Strategic Agreement**”), Second Cup and NAC established a strategic alliance to develop and operate a network of NAC-branded recreational cannabis dispensaries initially across Western Canada, with a view to expanding the relationship to include additional provinces where legally permissible.

Pursuant to the Strategic Agreement, NAC and Second Cup have agreed to collaborate on:

- the application by NAC for Retail Licenses across Canada covering certain premises currently occupied by Second Cup coffee franchises (each, an “**SC Store**”);
- the design, layout and development of NAC’s retail strategy in respect of applicable SC Stores that are to be converted into cannabis retail locations operated and managed by NAC (each, a “**Converted Store**”);
- the negotiation with Second Cup franchisees and the head landlords in respect of converting applicable SC Stores into cannabis retail locations or cannabis vaping lounges to be co-owned by NAC and Second Cup in equal shares (and potentially the applicable franchisee) and operated by NAC; and
- the conversion of applicable SC Stores into cannabis retail locations or cannabis vaping lounges to be co-owned by NAC and Second Cup in equal shares (and potentially the applicable franchisee) and operated by NAC. Any cannabis retail store or cannabis vaping lounge opened up at a converted SC Store will be branded and operated by NAC.

Conversion of any SC Store to an NAC branded recreational cannabis dispensary will be both conditional on the *Cannabis Act* coming into force and such SC Store obtaining a Retail License from provincial regulators and the approval of Second Cup and the applicable franchisee and landlord.

The term of the Strategic Agreement will terminate on the twelve-month anniversary of the coming into force of the *Cannabis Act*; provided that either Second Cup or NAC may terminate the Strategic Agreement prior to such date in the event of (i) an uncured material breach by the other party or (ii) the dissolution, liquidation, bankruptcy, insolvency or winding up proceedings are commenced in respect of the other party or upon the nomination of a trustee, sequestrator, liquidator or receiver in respect of the other party, or following the date that any event permitting a trustee, a sequestrator or a receiver to administer the affairs of the other party shall occur.

Application for Retail Licenses

During the term of the Strategic Agreement, NAC, in consultation with Second Cup, will seek to identify suitable SC Stores in the provinces that intend to permit the private ownership and operation of retail cannabis stores, currently British Columbia, Alberta, Saskatchewan, Manitoba and Newfoundland and Labrador, to determine whether to apply for Retail Licenses for any such SC Stores. Prior to making an application in respect of any SC Store, NAC will obtain the written approval of Second Cup for such application. In addition, NAC has agreed not to have any contact with a head landlord or a franchisee occupying an SC Store without the express prior written consent of Second Cup.

In considering whether an SC Store would be suitable for conversion to a cannabis retail store, Second Cup will consider each potential conversion opportunity on a case-by-case basis. Among the factors to be considered by the Company in its review of a particular SC Store are the quality of the franchise, the length of term remaining on the lease, the length of the term remaining under the franchise agreement, the location of the SC Store, the regional demographics surrounding the SC Store and the financial capacity of the franchisee. Second Cup will only continue the conversion process for an SC Store if it concludes that conversion of such location to a retail cannabis store would be expected to offer greater value to the Company and its shareholders.

Once Second Cup and NAC have agreed that one or more SC Stores are suitable candidates for conversion, the Company will use its commercially reasonable efforts to cooperate and work collaboratively with NAC in its preparation of applications for Retail Licenses and throughout the review and approval process by applicable municipal and provincial regulatory authorities. NAC will be solely responsible for the management of, and all

costs associated with, the application process for Retail Licenses; provided that Second Cup has agreed to reimburse NAC for its pro rata share of all costs associated with the application process for any Retail License granted in respect of an SC Store that is converted into a retail cannabis store.

Converted Stores will be required to be provincially licensed and municipally permitted to sell adult-use cannabis. The primary terms of the provincial Retail Licences are expected to relate to compliance with applicable provincial and federal laws. Municipal permits will similarly require compliance with applicable municipal law, and may reference provincial or federal law relating to cannabis as conditions of the permit.

NAC and Second Cup have identified 19 initial SC Stores in the Province of Alberta in respect of which it intends to prepare and submit applications for Retail Licences. NAC has advised Second Cup that it submitted initial applications for its first five Retail Licences on April 24, 2018 and intends to submit the balance of the initial applications by the end of May, 2018. There can be no assurance the AGLC will grant Retail Licences for any of the 19 SC Stores subject to the initial applications prepared and filed by NAC. Second Cup will not be required to obtain any licenses or any other form of authorization from Health Canada or any relevant provincial regulators with respect to the approval of the strategic alliance with NAC and the proposed business relationship once the Retail License(s) have been obtained.

Before the sale of any cannabis products can occur in a Converted Store, regulatory approvals at the federal, provincial and municipal level will be required. The federal requirements will include that the cannabis product be (a) regulated for sale in the recreational use market, (b) processed by a licensed processor from cannabis cultivated by a licensed cultivator, (c) manufactured in accordance with good production practices or other applicable quality standards, and (d) packaged and labelled, all in compliance with the *Cannabis Act* and its regulations. At the provincial level, the Converted Store will have to be licensed to sell adult-use cannabis. At the municipal level, the Converted Store will have to be permitted to do business in accordance with the applicable federal and provincial laws.

Second Cup and NAC have not yet identified any SC Stores in provinces other than Alberta that may be candidates for conversion. There can be no assurance that (i) the *Cannabis Act* will ultimately come into law and legalize recreational cannabis, (ii) Second Cup and NAC will agree on suitable candidates for conversion, or, (iii) having identified specific SC Stores, that NAC will be successful in applying for Retail Licences for any such SC Store. See “Risk Factors – *Change in Laws, Regulations and Guidelines*”.

Conversion Process

In the event the applicable provincial regulatory body grants a Retail License for an SC Store, Second Cup will use its commercially reasonable efforts to facilitate the commencement of, and support the position of NAC during, commercial discussions among NAC, the head landlord and the franchisee of such SC Store with a view to opening up an NAC-branded retail cannabis store at such location. There can be no assurance that any such discussions will result in the conversion of an SC Store into a retail cannabis store. See “Risk Factors – *Conversion of an SC Store will Require Franchisee and Landlord Approval*”.

If such discussions result in the conversion of an SC Store to a retail cannabis store, the franchise agreement governing the SC Store will be terminated and Second Cup, NAC and the former franchisee will enter into an arrangement whereby ownership of the SC Store will be divided (subject to obtaining all required regulatory approvals) among the parties, with (i) the franchisee’s ownership interest ranging from 0-33%, depending upon, among other factors, the quality of the franchise, financial capacity, length of term remaining on the applicable lease, the length of the term remaining under the franchise agreement and the location of the SC Store, and (ii) NAC and Second Cup each owning an equal share in such SC Store. Second Cup and NAC will each own a minimum of 33% of any Converted Store and NAC will have managerial, operational and branding control over the store. Following conversion, the retail cannabis store will sell only cannabis and related products and will no longer operate as a Second Cup café.

There is no present intention to offer any Second Cup-branded products at any Converted Store, or for Second Cup otherwise to have any visible presence at any such store. NAC will not charge any franchise fee to any Converted Store, and each Converted Store will operate on a management/franchise/royalty/marketing fee-free basis, it being

understood and agreed that Converted Stores will be charged on a cost basis for the payment of their respective share of any central services provided by NAC to them.

Second Cup and NAC have agreed that all expenses, fees, penalties, obligations and/or costs relating to amending any applicable franchise agreement or lease agreement in order to facilitate the conversion of any mutually agreed SC Store into a cannabis retail location will be shared equally by Second Cup and NAC. Second Cup will not charge a termination fee in connection with the early termination of the franchise agreement for any Converted Store. All build-out costs associated with the physical conversion of an SC Store into a retail cannabis store will be shared by the owners of such Converted Store (i.e. Second Cup, NAC and the applicable franchisee) in proportion to their respective ownership interests. The net earnings of a Converted Store will be shared among the owners of such store in accordance with their respective ownership interests.

Regulations have not yet been introduced to permit the operation of cannabis vaping lounges in Canada so there can be no assurance when, if ever, Second Cup will have an opportunity to convert any SC Stores into cannabis vaping lounges. See “Risk Factors – *Change in Laws, Regulations and Guidelines*”.

Operations of Converted Stores

Pursuant to the Strategic Agreement, NAC will maintain managerial and branding control over any Converted Stores, which is expected to include control over operational matters such as choosing which authorized licensed producers will supply cannabis to each Converted Store, or which cannabis products and cannabis accessories to purchase from provincial liquor control authorities. NAC has disclosed that it has entered into non-binding letters of intent with several licensed producers for supply to NAC stores in Manitoba, and that, while NAC has not applied for Retail Licences for any SC Stores in Manitoba, any Converted Stores in that province would participate in any definitive agreement(s) arising from these letters of intent.

NAC has disclosed that it intends for Converted Stores to carry cannabis products from leading brands, including products manufactured by licensed producers under license from CannaRoyalty Corp. For clarity, such products would only be sold by the Converted Stores once the products become regulated for sale under the *Cannabis Act*. NAC has advised the Company that it has not yet entered into any formal supply agreement with CannaRoyalty Corp. or with any licensed producer with respect to the supply of cannabis to Converted Stores.

The Company does not propose to at any time handle any physical marijuana product or other form of cannabis during and/or for the purposes of it executing the strategic alliance with NAC. Following conversion, the Converted Stores will sell only cannabis and related products and will no longer operate as a Second Cup café or be subject to Second Cup’s direct control.

Exclusivity

During the period prior to the 12-month anniversary of the coming into force of the *Cannabis Act*: (i) Second Cup has agreed that it will not solicit, encourage, or entertain proposals from, or enter into negotiations with or furnish any non-public information to, any person or entity other than NAC regarding any application for Retail Licenses for some or all of the SC Stores and/or the conversion of some or all of the SC Stores into retail cannabis stores or cannabis vaping lounges in Canada, and (ii) NAC has agreed that it will not solicit, encourage, or entertain proposals from, or enter into negotiations with or furnish any non-public information to, any coffee-based retailer (other than Second Cup) regarding any application for Retail Licenses or the conversion of cafes owned, operated or franchised by such coffee-based retailer into retail cannabis stores or cannabis vaping lounges in Canada.

Warrants

In consideration of Second Cup agreeing to enter into the Strategic Agreement, NAC issued to Second Cup common share purchase warrants to purchase an aggregate of 5,000,000 common shares of NAC (the “**Warrants**”). The Warrants have an exercise price of \$0.91 per common share and expire on April 12, 2023. The issuance of the Warrants remains subject to the requisite regulatory approval, including the approval of the TSX Venture Exchange. NAC has agreed to use its reasonable best efforts to obtain the approval of the TSX Venture Exchange to the issuance of the Warrants.

Second Cup Coffee Retail Strategy

While Second Cup is excited by the opportunities for additional potential revenue streams offered by its strategic alliance with NAC, it intends to continue to pursue its vision to be the Canadian specialty coffee brand of choice across Canada, committed to superior quality, innovation and profitable growth. The Company's primary focus will continue to be on specialty coffee, and Second Cup intends to continue its current strategy of expanding its network of coffee shops across Canada.

Changes to Revenue Recognition Policies under IFRS

IFRS 15, Revenue from Contracts and Customers ("**IFRS 15**") became effective for the company January 1, 2018 and supersedes previous revenue recognition guidance, including industry-specific guidance and enhances revenue recognition disclosures. The guidance allows for either a full retrospective or modified retrospective transition method. We expect to apply the modified retrospective transition method.

Under previous accounting guidance, we recognized initial franchise fees when we have performed all material obligations and services, which generally occurs when the franchised café opens. As required under the new guidance, we anticipate deferring the initial franchise fees and recognizing revenue over the term of the related franchise agreement (generally ten years).

The Company is currently in the process of analysing the accounting changes to implement the new standard IFRS 15 and calculating the amount of adjustments as required. While the analysis has not yet been finalized, the Company expects the adjustment to result in a pre-tax increase to opening deficit as at December 31, 2017 and a corresponding increase in deferred revenue in the range of \$2.4 to \$2.8 million.

Recent Director Appointment

On March 27, 2018, the Company announced the appointment of Ms. Melinda Lee to the Board of Directors of the Company. Ms. Lee will also become Chair of the Audit Committee of the Company. Since 2010, Melinda Lee has been a self-employed financial consultant. Prior to that, she held senior management roles at both a publicly-traded and a private investment firm and has previously served on the Board of Directors for six other publicly-traded companies. Ms. Lee holds a business degree from St. Francis Xavier University, earned her Chartered Accountant designation in 1999 and is currently participating in the Institute of Corporate Directors DEP Program, the prerequisite to an ICD.D designation. Ms. Lee was appointed to the Board of Directors on March 27, 2018.

Ms. Lee served as a member of the Board of Directors of Shermag Inc., which on May 5, 2008 announced that it had obtained creditor protection under the *Companies' Creditors Arrangement Act* (Canada) in the Quebec Superior Court. Shermag Inc. emerged from creditor protection in 2009.

USE OF PROCEEDS

The estimated total net proceeds to be received by the Company from the Offering, after deducting the expenses of the Offering payable by the Company and the Underwriter's Fee, will be approximately \$9,500,000 (approximately \$10,925,000 in the event the Over-Allotment Option is exercised in full). The Company intends to use the net proceeds from the sale of the Common Shares as detailed by the table below:

Use of Proceeds	
Estimated conversion costs to implement Strategic Agreement	\$2,100,000
Potential future business acquisitions	\$7,400,000
Total Net Proceeds (exclusive of Over-Allotment Option)	\$9,500,000

Conversion Costs to Implement Strategic Agreement

The Company has allocated \$2,100,000 of the Offering proceeds to fund the Company's anticipated share of conversion costs to implement the Strategic Agreement. Such costs are expected to include the Company's pro rata share of the reimbursement of application expenses, any expenses, fees, penalties, obligations and/or costs relating to amending any applicable franchise agreement or lease agreement and the build out costs in connection with conversion. Since it is not possible at this time to predict with any degree of certainty how many (if any) of the 19 initial applications will result in Retail Licenses. Second Cup has assumed for purposes of allocating the proceeds of the Offering that five of the initial 19 applications for Retail Licenses in Alberta will result in the granting of licenses.

The Company estimates that the total costs to the Company associated with converting a single SC Store to a Converted Store will be approximately \$420,000.

The \$420,000 in estimated costs per conversion is broken down as follows:

- \$10,000 to reimburse NAC for the Company's share of the expenses associated with the application process for the applicable SC Store;
- \$135,000 to fund all expenses, fees, penalties, obligations and/or costs relating to amending any applicable franchise agreement or lease agreement in order to facilitate the conversion of an SC Store into a cannabis retail location; and
- \$275,000 to fund the Company's share of build-out costs associated with the physical conversion of an SC Store into a retail cannabis store.

In the event that more than five Retail Licenses are granted, the Company expects to fund any costs of converting additional SC Stores into Converted Stores through cash on hand (which may include a portion of the cash raised in the Offering that is currently intended to fund future potential business acquisitions) or through additional debt or equity financing.

Any conversion of an SC Store to a Converted Store will be conditional upon the following events occurring:

- the *Cannabis Act* and provincial regulatory regimes, such as Alberta's proposed Bill 26, ultimately coming into law and legalizing recreational cannabis distribution and consumption;
- NAC successfully obtaining and maintaining a Retail License in respect of any of the applicable SC Stores;
- the successful negotiation and amendment of any applicable franchise agreement or lease agreement of any of the applicable SC Stores; and
- the renovation and successful conversion of the applicable SC Stores into Converted Stores.

The Company faces a number of contingencies in determining any specific time periods for implementing the Strategic Agreement, the granting of Retail Licenses and ultimately converting the applicable SC Stores into Converted Stores. Given the uncertain and evolving regulatory environment around expected recreational cannabis use in Canada, the Company cannot precisely estimate how long implementation of the above business objective will actually take, or if it will occur at all.

Potential Future Business Acquisitions

From time to time Second Cup is presented with potential acquisition opportunities that may complement and/or expand the existing Second Cup coffee business. Acquisition targets may include additional locations that offer strategic advantages, including providing a footprint where the Company is not currently present, as well as strategic investments or acquisitions in complementary or ancillary businesses. The Company is conducting the Offering in

order to take advantage of favourable market conditions and though it is in preliminary discussions with respect to a potential business acquisition in the speciality coffee industry, such discussions remain in the early stage and may not result in a term sheet or letter of intent, or if they do that such discussions will lead to an actual transaction. If these discussions do not result in the consummation of a transaction, the Company does not have a specific time period in which to complete one or more alternative acquisitions.

The Company will only pursue an acquisition if it concludes that it will be accretive and complementary to the existing Second Cup coffee business. Any such conclusion will be based on the Company's financial, legal and operational due diligence review of the business. The Company has allocated approximately \$7.4 million of the Offering proceeds to potential future acquisitions but has not identified a particular acquisition target at this time. As a result, it cannot precisely estimate how much of the proceeds will be used towards such acquisitions, if any. There can be no assurance that the Company will be able to identify business acquisition opportunities that meet its strategic objectives, or to the extent such opportunities are identified, that it will be able to negotiate acquisition terms that are acceptable to it.

The Company anticipates having positive cash flows from operations for at least the next 12 months and, accordingly, expects to fund its normal course operations from these positive cash flows and not through any of the proceeds of the Offering.

Additional Information

While the Company intends to use the proceeds of the Offering as described above, there may be circumstances where, for sound business reasons, a reallocation of funds may be necessary. Pending deployment in accordance with the use of proceeds described above, it is expected that the Company will hold and invest the net proceeds of the Offering in investment grade, short-term, interest bearing securities with preservation of capital and short-term liquidity being important investment parameters. The Chief Financial Officer of the Company is responsible for executing the Company's investment policies.

CONSOLIDATED CAPITALIZATION

Other than as described below, there have been no material changes in the Company's share and loan capital since the date of Second Cup's financial statements most recently filed. As at the date of this Prospectus, there are 17,041,473 Common Shares issued and outstanding and no indebtedness outstanding.

After giving effect to the Offering, 19,940,073 Common Shares (20,374,863 Common Shares if the Over-Allotment Option is exercised in full) will be issued from the Company's treasury. See "Plan of Distribution". After giving effect to the Offering, the Company will have no indebtedness outstanding.

DESCRIPTION OF THE SECURITIES

General

The authorized capital of the Company consists of an unlimited number of Common Shares. The summary below of the rights, privileges, restrictions and conditions attaching to the Common Shares is subject to, and qualified in its entirety by reference to, the Company's articles and by-laws, which are available on SEDAR at www.sedar.com.

Common Shares

Each Common Share entitles the holder thereof to one (1) vote at all meetings of Shareholders, except where holders of another class are entitled to vote separately as a class as provided by law or the rules of any applicable stock exchange. Subject to the rights of the holders of any other class of shares ranking senior to the Common Shares, the holders of Common Shares are entitled to such dividends as the Board of Directors may declare from time to time, which dividends are payable in money or property or by issuing fully paid Common Shares of the Company.

Subject to the prior rights of the holders of any other class of shares, in the event of the liquidation, dissolution or winding up of the Company, whether voluntary or involuntary, or any other distribution of assets of the Company among its Shareholders for the purpose of winding-up its affairs, the holders of Common Shares are entitled to receive the remaining property and assets of the Company.

Subject to the rights of the holders of any other class of shares ranking senior to Common Shares will be issued and registered to CDS or its nominee under the book-entry only system. Except in limited circumstances, no holder of a Common Share will be entitled to a certificate evidencing that person's interest in or ownership of a Common Share.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated April 23, 2018 among the Company and the Underwriter (the "**Underwriting Agreement**"), the Company has agreed to issue and sell and the Underwriter has agreed to purchase, as principal, on the Closing Date, subject to the conditions stipulated in the Underwriting Agreement, an aggregate of 2,898,600 Common Shares offered hereby at a price of \$3.45 per Common Shares for total gross consideration of \$10,000,170, payable in cash to the Company (less the Underwriter's Fee and expenses) against delivery of the Common Shares on the Closing Date. The Common Shares are being offered to the public in the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. The Offering Price was determined by negotiation between the Company and the Underwriter with reference to the market price of the Common Shares and other factors. The Underwriting Agreement provides that the Company will pay the Underwriter an aggregate fee of 5.0% of the gross proceeds from the issuance of the Common Shares in consideration for its services in connection with the Offering. The Underwriter's Fee will be paid to the Underwriter from the proceeds of the Offering on the Closing Date.

The Company has granted to the Underwriter the Over-Allotment Option, exercisable in whole or in part at any time not later than the 30th day following the Closing Date, to purchase up to an additional 434,790 Common Shares on the same terms as set forth above solely to cover the Underwriter's over-allocation position, if any, and for consequent market stabilization purposes. This Prospectus also qualifies the grant of the Over-Allotment Option. A purchaser who acquires Common Shares forming part of the Underwriter's over-allocation position acquires such Common Shares under this Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

The Underwriter will also be paid an aggregate fee of 5.0% of the gross proceeds realized from the sale of any Common Shares sold pursuant to the exercise of the Over-Allotment Option. The Underwriter's Fee in respect of the Over-Allotment Option will be payable in full upon closing of the Over-Allotment Option.

The obligations of the Underwriter under the Underwriting Agreement may be terminated at its discretion upon the occurrence of certain stated events, including if: (a) any inquiry, investigation or other proceeding is commenced or any order (other than an order referred to in (d) below) is issued under or pursuant to any statute of Canada or of any province or territory of Canada, or otherwise (other than an inquiry, investigation, proceeding or order based upon the activities or alleged activities of the Underwriter or the selling firms), or there is any change of law, or the interpretation or administration thereof, which in the reasonable opinion of the Underwriter operates to prevent or restrict the trading in the Common Shares or any other securities of the Company or the distribution of the Common Shares or any other securities of the Company; (b) there shall occur any material change or a change in a material fact contained or referred to in this Prospectus or any amendment or supplementary material hereto (other than a change or fact related solely to the Underwriter or the selling firms), which in the reasonable opinion of the Underwriter would be expected to have a significant adverse effect on the market price or value of the Common Shares; (c) there should develop, occur or come into effect any event, action, state, condition or major financial occurrence of national or international consequence or any law or regulation which in the opinion of the Underwriter seriously adversely affects, or will seriously adversely affect, or involve, the financial markets or the business, operations or affairs of the Company; or (d) an order shall have been made by any securities regulatory authority which restricts in any manner the distribution of the Common Shares or trading in the Common Shares which remains outstanding for a sufficient length of time such that, in the reasonable opinion of the Underwriter, such order has materially adversely affected or may materially adversely affect the ability of the Underwriter to offer or to continue to offer the Common Shares for sale. Subject to certain exceptions, the Underwriter is, however,

obligated to take up and pay for all Common Shares if any Common Shares are purchased pursuant to the Underwriting Agreement.

The outstanding Common Shares are listed for trading under the symbol “SCU” on the TSX. The TSX has conditionally approved the listing of the Offered Shares including the Common Shares issuable upon exercise of the Over-Allotment Option. Listing is subject to the Company fulfilling all the requirements of the TSX on or before July 23, 2018.

The Underwriter proposes to offer the Common Shares initially at the Offering Price. After the Underwriter has made a reasonable effort to sell all of the Common Shares at the Offering Price, the Offering Price for the Common Shares may be decreased and may be further changed from time to time to an amount not greater than the Offering Price. Such decrease in the Offering Price will not affect the Underwriter’s Fee to be paid by the Company and it will not decrease the amount of net proceeds of the Offering to be paid by the Underwriter to the Company, before deducting expenses.

Subject to the terms of the Underwriting Agreement, the Company has agreed to indemnify the Underwriter and its respective directors, officers, employees and agents against certain liabilities, including civil liabilities under Canadian provincial and territorial securities legislation, or to contribute to any payments the Underwriter may be required to make in respect thereof.

In connection with the Offering, the Underwriter may over-allocate or effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail on the open market, including: stabilizing transactions; short sales; purchases to cover positions created by short sales; imposition of penalty bids; and syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Common Shares while the Offering is in progress. These transactions may also include making short sales of the Common Shares, which involve the sale by the Underwriter of a greater number of Common Shares than it is required to purchase in the Offering. Short sales may be “covered short sales”, which are short positions in an amount not greater than the Over-Allotment Option, or may be “naked short sales”, which are short positions in excess of that amount.

The Underwriter may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or by purchasing Common Shares in the open market. In making this determination, the Underwriter will consider, among other things, the price of Common Shares available for purchase in the open market compared with the price at which it may purchase Common Shares through the Over-Allotment Option. If, following the closing of the Offering, the market price of the Common Shares decreases, the short position created by the over-allocation position in Common Shares may be filled through purchases in the open market, creating upward pressure on the price of the Common Shares. If, following the closing of the Offering, the market price of Common Shares increases, the over-allocation position in Common Shares may be filled through the exercise of the Over-Allotment Option in respect of Common Shares at the Offering Price.

The Underwriter must close out any naked short position by purchasing Common Shares in the open market. A naked short position is more likely to be created if the Underwriter is concerned that there may be downward pressure on the price of the Common Shares in the open market that could adversely affect investors who purchase in the Offering. Any naked short position would form part of the Underwriter’s over-allocation position.

Pursuant to policy statements of the relevant securities commissions, the Underwriter may not, throughout the period of distribution under the Prospectus, bid for or purchase Common Shares. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such Common Shares. These exceptions include a bid or purchase permitted under the by-laws and rules of applicable regulatory authorities and the TSX including the Universal Market Integrity Rules for Canadian Marketplaces administered by the Investment Industry Regulatory Organization of Canada relating to market stabilization and passive market-making activities and a bid or purchase made on behalf of a client where the client’s order was not solicited during the period of distribution. In connection with this Offering, the Underwriter may, subject to the foregoing and applicable law, over-allot or effect transactions that are

intended to stabilize or maintain the market price of the Common Shares at levels other than those which might otherwise prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Common Shares have not been and will not be registered under the U.S. Securities Act or the securities laws of any state of the United States and, accordingly, such securities may not be offered, sold or delivered, directly or indirectly, in the United States except in transactions exempt from the registration requirements of the U.S. Securities Act and any applicable state securities laws. The Underwriter has agreed that, except as permitted under the Underwriting Agreement, it will not offer, sell, transfer, deliver or otherwise dispose of, directly or indirectly, the Common Shares at any time within the United States except pursuant to an exemption from registration under the U.S. Securities Act.

This Prospectus does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. In addition, until 40 days after commencement of the Offering, an offer or sale of Common Shares within the United States by any dealer (whether or not participating in the Offering) may violate the registration provisions of the U.S. Securities Act unless such offer is made pursuant to an exemption from registration under the U.S. Securities Act and similar exemptions under applicable state securities laws.

The Common Shares under the Offering will be issued in “book-entry only” form to the Underwriter for deposit with CDS on the Closing Date, and must be purchased or transferred through a participant in the depository service of CDS (a “**Participant**”). All rights of holders of Common Shares must be exercised through, and all payments or other property to which such holder is entitled will be made or delivered by, CDS or the Participant through which the holder holds such Common Shares. Each person who acquires Common Shares will receive only a customer confirmation of purchase from the Underwriter or registered dealer from or through which the Common Shares are acquired in accordance with the practices and procedures of the Underwriter or registered dealer. The practices of registered dealers may vary, but generally customer confirmations are issued promptly after execution of a customer order. CDS is responsible for establishing and maintaining book-entry accounts for its Participants having interests in the Common Shares.

Pursuant to the Underwriting Agreement, the Company has agreed not to offer, issue, authorize the offering or issuance of, or agree to offer, sell, issue, grant any option, right or warrant for sale of any Common Shares or financial instruments or securities convertible or exchangeable for Common Shares or announce any intention to do so, in a public offering or by way of a private placement or otherwise, for a period of 90 days following the Closing Date, without the prior written consent of the Underwriter, on behalf of the Underwriter, such consent not to be unreasonably withheld or delayed, except in connection with the exchange, transfer, conversion or exercise rights of existing outstanding securities or existing commitments to issue securities or the issuance of stock options or other share-based compensation.

As a consequence of this issuance, the Underwriter will receive the Underwriter’s Fee.

PRIOR SALES

The following table sets forth the details regarding all issuances of Common Shares or securities that are convertible or exchangeable into Common Shares in the 12-month period preceding the date of this Prospectus:

Date of Issuance	Security Issued	Reason for Issuance	Number of Securities Issued	Price per Security (\$)
August 10, 2017	Common Shares	Exchange of aggregate principal amount owing under \$8 million credit facility in consideration for Common Shares	4,210,528	\$1.90

PRICE RANGE AND TRADING VOLUME OF THE COMMON SHARES

The outstanding Common Shares are listed for trading under the symbol “SCU” on the TSX. The following table sets forth the high and low prices at which the Common Shares were traded and the trading volumes of the Common Shares for the 12-month period before the date of this Prospectus.

	High (\$)	Low (\$)	Volume
<u>2017</u>			
April	1.59	1.4	107,575
May	1.67	1.41	116,276
June	1.73	1.53	83,858
July	1.73	1.48	40,505
August	3.49	1.6	1,234,014
September	3.15	2.6	149,692
October	2.6	2.25	143,433
November	2.46	2.05	554,935
December	2.36	2.05	278,319
<u>2018</u>			
January	3.50	2.07	273,941
February	3.24	2.33	193,911
March	3.14	2.32	1,380,977
April	4.05	2.56	3,248,852
May 1	3.0	2.9	30,765

On April 16, 2018, the last trading day prior to the announcement of the Offering, the closing price per Common Share on the TSX was \$4.05. On May 1, 2018, the last trading day prior to the date of this Prospectus, the closing price per Common Share on the TSX was \$2.95.

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodmans LLP, counsel to the Company, and Borden Ladner Gervais LLP, counsel to the Underwriter, the following summary describes the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a holder who acquires Common Shares pursuant to the Offering and who, at all relevant times, for purposes of the Tax Act and any applicable income tax convention, (i) is or is deemed to be resident in Canada, (ii) beneficially owns the Common Shares and holds the Common Shares as capital property, and (iii) deals at arm’s length with the Company and the Underwriter and is not affiliated with the Company or the Underwriter (a “**Canadian Holder**”). Generally, Common Shares will be considered to be capital property to a Canadian Holder provided such holder does not hold such securities in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Canadian Holders who might not otherwise be considered to hold their Common Shares as capital property may, in certain circumstances, be entitled to have such shares, and all other “Canadian securities”, as defined in the Tax Act, owned or subsequently acquired by such holders, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act.

This summary is not applicable to a holder (i) that is a “financial institution”, as defined in the Tax Act for purposes of the mark-to-market rules, (ii) an interest in which is a “tax shelter investment”, as defined in the Tax Act, (iii) that is a “specified financial institution”, as defined in the Tax Act, (iv) that makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act, or (v) that has entered or will enter into a “derivative forward agreement”, as defined in the Tax Act, in respect of the Common Shares. In addition, this summary does not address the deductibility of interest by a holder who has borrowed money to acquire Common Shares pursuant to the Offering. Any such holders should consult their own tax advisors.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced prior to the date hereof (the “**Proposed Amendments**”) and counsel’s understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency made publicly available in writing prior to the date hereof. This summary assumes the Proposed Amendments will be enacted in the form proposed; however, no assurance can be given that the Proposed Amendments will be enacted in the form proposed, if at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law or in the administrative policies or assessing practices of the Canada Revenue Agency, whether by legislative, governmental or judicial action, nor does it take into account any other federal or any provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary does not address any Canadian federal tax considerations applicable to a non-resident of Canada. Non-residents should consult their own tax advisors regarding the tax consequences of acquiring, holding and disposing of Common Shares. Distributions on Common Shares or amounts paid in respect thereof, whether paid in cash or Common Shares, will be paid or issued net of any applicable withholding taxes.

This summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular holder or prospective holder of Common Shares, and no representations with respect to the income tax consequences to any holder or prospective holder are made. Consequently, holders and prospective holders of Common Shares should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring Common Shares pursuant to this Offering, having regard to their particular circumstances.

Receipt of Dividends on Common Shares

Dividends received or deemed to be received on Common Shares held by a Canadian Holder will be included in computing such holder’s income for purposes of the Tax Act. Such dividends received by a Canadian Holder who is an individual (other than certain trusts) will be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit in respect of dividends designated by the Company as “eligible dividends”. There may be limitations on the ability of the Company to designate dividends as eligible dividends.

A Canadian Holder that is a corporation will include such dividends in computing its income and generally will be entitled to deduct the amount of such dividends in computing its taxable income. A Canadian Holder that is a “private corporation” or “subject corporation”, as such terms are defined in the Tax Act, may be liable under Part IV of the Tax Act to pay a refundable tax of 38 $\frac{1}{3}$ % of dividends received or deemed to be received on the Common Shares to the extent such dividends are deductible in computing such holder’s taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Canadian Holder that is a corporation as proceeds of disposition or a capital gain. Canadian Holders that are corporations are urged to consult their own tax advisors having regard to their particular circumstances.

Taxable dividends received by a Canadian Holder who is an individual (other than certain trusts) may result in such holder being liable for alternative minimum tax under the Tax Act. Canadian Holders who are individuals should consult their own tax advisors in this regard.

Disposition of Common Shares

A disposition or deemed disposition by a Canadian Holder of a Common Share (except to the Company unless purchased by the Company in the open market in the manner in which shares are normally purchased by any member of the public in the open market) will generally result in such holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the Common Share exceed (or are less than) the aggregate of the adjusted cost base to such holder thereof and any reasonable costs of disposition. The adjusted cost base to a Canadian Holder of Common Shares acquired pursuant to this Offering will be determined by averaging the cost of such acquired shares with the adjusted cost base of all other Common Shares of the Company owned by such holder as capital property at that time. Such capital gain (or capital loss) will be subject to the tax treatment described below under “Taxation of Capital Gains and Capital Losses”.

Taxation of Capital Gains and Capital Losses

Generally, one-half of any capital gain (a “**taxable capital gain**”) realized by a Canadian Holder in a taxation year must be included in such holder’s income for the year. One-half of any capital loss (an “**allowable capital loss**”) realized by a Canadian Holder in a taxation year must be deducted from taxable capital gains realized by such holder in such year. Allowable capital losses in excess of taxable capital gains realized in a taxation year generally may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any subsequent taxation year, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Canadian Holder that is a corporation on the disposition of a Common Share may be reduced by the amount of dividends received or deemed to be received by it on such share (or on a share for which the Common Share has been substituted) to the extent and under the circumstances described by the Tax Act. Similar rules may apply where a Common Share is owned by a partnership or trust of which a corporation, partnership or trust is a member or beneficiary.

Capital gains realized by a Canadian Holder who is an individual (other than certain trusts) may result in such holder being liable for alternative minimum tax under the Tax Act. Canadian Holders who are individuals should consult their own tax advisors in this regard.

Additional Refundable Tax

A Canadian Holder that is, throughout the relevant taxation year, a “Canadian-controlled private corporation”, as defined in the Tax Act, may be liable to pay an additional refundable tax on its “aggregate investment income”, which is defined in the Tax Act to include amounts in respect of taxable capital gains and any dividends that are not deductible in computing taxable income.

RISK FACTORS

An investment in the Common Shares is subject to certain risks. Investors should carefully consider the risks described below, the risk factors described in the AIF and other information elsewhere in this Prospectus and the documents incorporated by reference herein, prior to making an investment in any of the Common Shares. If any of such or other risks occur, the Company’s business, prospects, financial condition, results of operations and cash flows could be materially adversely impacted. In that case, the trading price of the Common Shares could decline and investors could lose all or part of their investment. There is no assurance that risk management steps taken will avoid future loss due to the occurrence of the below described or other unforeseen risks.

Risks Related to the Offering

Timing for Investment of Net Proceeds

The Company expects to apply the available net proceeds of the Offering primarily to fund the estimated conversion costs related to the Strategic Agreement with NAC and towards potential future business acquisitions, as described under the heading “Use of Proceeds”. To the extent the net proceeds of the Offering are not used for such purposes, such proceeds may remain undeployed in a dilutive manner.

Volatile Market Price for the Common Shares

The market price for the Common Shares may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Company’s control.

As well, certain institutional investors may base their investment decisions on consideration of the Company’s performance against such institutions’ respective guidelines and criteria, and failure to meet such criteria may result in a limited or no investment in the Common Shares by those institutions, which could adversely affect the trading price of the Common Shares. There can be no assurance that fluctuations in price and volume will not occur.

Sales of Substantial Amounts of the Common Shares May Have an Adverse Effect on the Market Price of the Common Shares

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

Risks Related to the Cannabis Industry

Change in Laws, Regulations and Guidelines

The laws, regulations and guidelines generally applicable to the cannabis industry domestically may change in ways currently unforeseen by the Company. The Company's proposed operations are subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage, sale, health and safety and disposal of retail marijuana. The Canadian Federal Government established the Task Force on Cannabis Legalization and Regulation on June 30, 2016 to seek input on the design of a new system to legalize, strictly regulate and restrict access to marijuana. The Task Force published a report dated November 30, 2016, which outlined its recommendations. On April 13, 2017, the Government of Canada released the proposed *Cannabis Act* to regulate the production, distribution and sale of cannabis for unqualified adult use. On November 27, 2017, the House of Commons passed the proposed *Cannabis Act*, and on December 20, 2017, the Prime Minister of Canada communicated that the Canadian Federal Government intends to legalize cannabis in the summer of 2018. The proposed *Cannabis Act* is currently before the Senate. It is unknown whether the *Cannabis Act* will be passed into law.

Since the proposed *Cannabis Act* is not yet in force, and the regulations to the *Cannabis Act* have not yet been published, there can be no assurance that the legalization of recreational cannabis by the Canadian Federal Government will occur on the terms in the proposed *Cannabis Act* or at all. In addition, the legislative framework pertaining to the Canadian recreational cannabis market is uncertain.

The governments of every Canadian province have, to varying degrees, announced proposed regulatory regimes for the distribution and sale of cannabis for recreational purposes within those jurisdictions. While the governments of British Columbia, Alberta, Saskatchewan, Manitoba and Newfoundland and Labrador have announced their intention to grant licenses to privately-owned companies to own and operate retail cannabis stores, British Columbia, Saskatchewan and Manitoba have yet to implement any legislation to regulate the distribution and sale of cannabis for recreational purposes. There is no guarantee that provincial legislation regulating the distribution and sale of cannabis for recreational purposes will be enacted according to the terms announced by such provinces, or at all, or that any such legislation, if enacted, will create the growth opportunities that the Company currently anticipates. Further, regulation of recreational cannabis at the municipal level in Canadian provinces and territories remains largely unknown at this time.

While the impact of any new legislative framework for the regulation of the Canadian recreational cannabis market is uncertain, subsequent regulatory changes that impede supply of cannabis to, or the sale by, Converted Stores could have a material adverse effect on the results of operations of such Converted Stores.

The Cannabis Retail Market

The cannabis industry and its retail market are relatively new and in their early stages of development. In addition to being subject to general business risks, any Converted Stores will need to build brand awareness and market through significant investments in strategy and compliance with regulations. Competitive conditions, consumer tastes and spending patterns in this new industry and market are relatively unknown and may have unique circumstances that differ from existing industries and markets. As well, Converted Stores may be required to obtain additional regulatory approvals from applicable regulatory authorities, which may take significant amounts of time. The Company's strategic alliance with NAC may ultimately not be successful in bringing Converted Stores to market in time to be effective competitors in the retail sale of cannabis.

There can be no assurances that the cannabis industry and its retail market will continue to exist or grow as currently estimated or anticipated, or function and evolve in a manner consistent with the Company's expectations and assumptions. Any event or circumstance that affects the cannabis industry and its retail market could have a material adverse effect on the results of operations of Converted Stores.

Research on Cannabis Consumption

Research in Canada, the United States and internationally regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis or isolated cannabinoids (such as cannabidiol (CBD) and tetrahydrocannabinol (THC)) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Any statements made in this Prospectus, or the documents incorporated by reference herein, concerning the potential medical benefits of cannabinoids are based on published articles and reports. As a result, any statements made in this Prospectus, or the documents incorporated by reference herein, are subject to the experimental parameters, qualifications and limitations in the studies that have been completed.

Although the Company believes that the articles, reports and studies support public beliefs regarding the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding, and perceptions relating to, cannabis.

Any future research studies and results of clinical trials may draw negative conclusions regarding the medical benefits, viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to cannabis, which could have a material adverse effect on the demand for retail cannabis stores with the potential to lead to a material adverse effect on the results of operations of Converted Stores.

Unfavourable Publicity As a Result of Doing Business in the Cannabis Industry

The Company believes the retail cannabis industry will be highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced and distributed. Consumer perception of cannabis products and retailers can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis products. There can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention or other research findings or publicity will be favorable to the cannabis 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 favorable than, or that question, earlier research reports, findings or publicity could have a material adverse effect on the demand for the proposed business, financial condition and results of operations of Converted Stores. Dependence upon consumer perceptions means that adverse scientific research reports, findings, regulatory proceedings, litigation, media attention or other publicity, whether or not accurate or with merit, could have a material adverse effect on the results of operations of Converted Stores. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis in general, or products obtained at one of the Converted Stores specifically, or associating the consumption of cannabis with illness or other negative effects or events, could have such a material adverse effect on the results and operations of such stores. Such adverse publicity reports or other media attention could arise even if the adverse effects associated with such products resulted from consumers' failure to consume such products legally, appropriately or as directed.

The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regards to the operations and activities of Converted Stores, whether true or not, and the cannabis industry in general, whether true or not. In addition, certain well-funded and significant businesses may have strong economic opposition to the cannabis industry. Lobbying by such groups, and any resulting inroads they might make in halting or rolling back the retail cannabis movement, could affect how the cannabis industry is perceived by others and could have a detrimental impact on the market for retail cannabis stores and thus on the business, financial condition and results of operations of Converted Stores.

The Company does not ultimately have direct control over how the cannabis industry is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining

community relations and an impediment to the Company's overall ability to advance its strategic alliance with NAC and the retail cannabis store business strategy and realize on the Company's growth prospects, thereby having a material adverse impact on the results of operations of Converted Stores. If a material number of Second Cup customers reduce the frequency of their visits to Second Cup cafés or stop patronizing Second Cup cafés altogether due to the perceived connection between Second Cup and the retail cannabis industry or confusion over Second Cup's continued focus on the specialty coffee business, it could have a material adverse effect on the business, results of operations and financial condition of the Company.

Risks Related to the Company's Strategic Alliance with NAC

The Success of the Strategic Alliance Depends on the Issuance of Retail Licences

The proposed *Cannabis Act*, if and when it comes into force, provides that the legal retail sale of cannabis and cannabis products in a province will require a license from the applicable provincial regulatory body. Currently, the only provinces that intend to grant licenses to privately-owned companies to own and operate retail cannabis stores are British Columbia, Alberta, Saskatchewan, Manitoba and Newfoundland and Labrador. The initial focus of the Company's strategic alliance with NAC will be in Western Canada, where the Company and NAC have identified 19 SC Stores in Alberta in respect of which NAC intends to prepare and submit applications for Retail Licences. If NAC is unable to obtain Retail Licences for some or all of these initial SC Stores in Alberta, or subsequently for other SC Stores elsewhere in Alberta and the other provinces that permit the retail sale of cannabis, it may have a material adverse effect on the success of the Company's strategic alliance with NAC.

Conversion of an SC Store will Require Franchisee and Landlord Approval

If NAC is successful in obtaining a Retail License for an SC Store, NAC and Second Cup will need to reach terms with the franchisee and head landlord of such SC Store prior to commencing conversion of the location to a retail cannabis store. If Second Cup is unable to reach an agreement with the franchisee and head landlord on the terms of converting an existing SC Store into a retail cannabis store, the conversion may not take place, which may affect the Company's ability to carry out its business plan with respect to converting SC Stores into retail cannabis stores.

Difficulty to Forecast Operating Results of Converted Stores

The retail cannabis industry is at its earliest stage in Canada, and reliable sales forecasts for cannabis and cannabis products from independent third parties are generally not obtainable at this time. Accordingly, in determining which SC Stores may be suitable candidates for conversion, and in negotiating the terms of conversions with franchisees and head landlords, management expects that Second Cup (in consultation with NAC) will rely largely on their own market research to forecast sales of cannabis and cannabis products. A failure in the demand for retail cannabis to materialize as a result of competition, technological change, regulatory or legal change or other factors could have a material adverse effect on the business, results of operations and financial condition of any Converted Stores and the success of the Company's strategic alliance with NAC.

Perception of Strategic Relationship by Franchisees

Over 95% of Second Cup cafés are owned by franchisees, and Second Cup's relationships with its franchisees are a critical component of its business. If franchisees are resistant to the Company's strategic relationship with NAC or its potential involvement in the retail cannabis industry, it could have a material adverse effect on the business, results of operations and financial condition of the Company.

The Term of the NAC Strategic Agreement is One Year

The term of the Strategic Agreement (including exclusivity) will terminate on the twelve-month anniversary of the coming into force of the *Cannabis Act*; provided that either Second Cup or NAC may terminate the Strategic Agreement prior to such date in the event of an uncured material breach by the other party or the insolvency of the other party. There is no guarantee that the strategic alliance with NAC will be successful and that any SC Stores will be converted into retail cannabis stores during the term of the Strategic Agreement. In addition, if Second Cup wishes to extend the term of the Strategic Agreement upon its expiry but NAC declines to extend, the Company may

need to pursue future conversion opportunities for SC Stores into retail cannabis stores on its own or with one or more new partners, which may have a material adverse effect on the Company's efforts to pursue the conversion of select SC Stores into retail cannabis stores, which may have a material adverse effect on the business, results of operations and financial condition of the Company.

Limited Number of Conversion Prospects

Second Cup currently has a limited presence in the provinces currently intending to permit the retail sale of cannabis by privately-owned businesses, namely British Columbia, Alberta, Saskatchewan, Manitoba and Newfoundland and Labrador. Given the Company's limited presence in such provinces, the conversion of SC Stores in those provinces may only have a limited impact on Second Cup's results from operations. In addition, while Second Cup is excited by the opportunities for additional potential revenue streams offered by its strategic alliance with NAC, it intends to continue to pursue its vision to be the Canadian specialty coffee brand of choice across Canada, committed to superior quality, innovation and profitable growth. The Company's primary focus will continue to be on specialty coffee and Second Cup intends to continue its current strategy of expanding its network of coffee shops across Canada. Accordingly, conversion of SC Stores into retail cannabis stores will be done, if at all, on a case-by-case basis and will likely only impact a small fraction of the Company's retail locations, which may affect the Company's business and financial results.

LEGAL MATTERS AND INTERESTS OF EXPERTS

Certain legal matters relating to the Offering will be passed upon on behalf of the Company by Goodmans LLP and on behalf of the Underwriter by Borden Ladner Gervais LLP.

As at the date of this Prospectus, the partners and associates of Goodmans LLP beneficially own, directly and indirectly, less than 1% of the securities or other property of the Company, its associates or its affiliates. As at the date of this Prospectus, the partners and associates of Borden Ladner Gervais LLP beneficially own, directly and indirectly, less than 1% of the securities or other property of the Company, its associates or its affiliates.

AUDITOR, TRANSFER AGENT AND REGISTRAR

The auditor of the Company is PricewaterhouseCoopers LLP, Chartered Professional Accountants, Licensed Public Accountants located in Toronto, Ontario. The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

STATUTORY RIGHTS OF WITHDRAWAL AND RESCISSION

Securities legislation in certain of the provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province for the particulars of these rights or consult with a legal adviser.

CERTIFICATE OF THE COMPANY

Dated: May 2, 2018

This short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

THE SECOND CUP LTD.

GARRY MACDONALD
Chief Executive Officer

(Signed) "*Garry Macdonald*"

BA LINH LE
Chief Financial Officer

(Signed) "*Ba Linh Le*"

On behalf of the Board of Directors

MICHAEL BREGMAN
Director

(Signed) "*Michael Bregman*"

MELINDA LEE
Director

(Signed) "*Melinda Lee*"

CERTIFICATE OF THE UNDERWRITER

Dated: May 2, 2018

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this short form prospectus as required by the securities legislation of the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario.

CLARUS SECURITIES INC.

ROBERT ORVISS
Managing Director

(Signed) "*Robert Orviss*"