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Key information on investment in

## Shares in Project C Holding B.V.

By Project C Holding B.V.

This document was drafted on 30 June 2020

This document is intended to help you better understand the risks, costs and return of the investment.

Please note! The AFM has not assessed this document and offer.

### Who is offering what?

Project C Holding B.V. is offering 199,999 new shares with a face value of EUR 0.10 per share. The shares in Project C Holding B.V. are offered by private limited company Project C Holding B.V. The offeror is also the issuer of the shares in Project C Holding B.V., hereinafter: "Project C Holding".

The shares are issued at EUR 25 per share.

Following the issuance of the new shares, 937,499 shares were issued with a face value of EUR 0.10. A further 420,000 shares with a face value of EUR 0.10 with a projected issue price of EUR 30 will follow at a later date to fully finance the company. An additional 252,000 shares have been reserved for future issuance to the Board of Directors, management and staff.

These are shares in a private limited company which are therefore registered, with meeting and voting rights and profit entitlement. The shareholders' rights are included in Project C Holding's articles of association, which can be consulted on the company's website ([www.project-cannabis.com](http://www.project-cannabis.com)).

The issuing body intends to act as a legal grower of cannabis within the framework of the government project "Closed Coffeeshop Chain Experiment" (hereinafter: "the Cannabis Experiment") to establish a safe and responsible cannabis production chain from cultivation to consumption.

### DESIGN OF THE GOVERNMENT'S CANNABIS EXPERIMENT

During the Cannabis Experiment, legal cannabis growers with a license from the Dutch government will deliver regulated cannabis (weed and hash) to coffeeshops in ten municipalities in the Netherlands. The selected municipalities are home to 78 coffeeshops that sell cannabis to customers under the tolerance policy until the start of the experiment. For the duration of the Cannabis Experiment, these coffeeshops are no longer allowed to purchase cannabis from suppliers other than the licensed growers. The government hopes to use the Cannabis Experiment to develop a policy that will reduce the criminality surrounding the sale and prevent the

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mixing of the upperworld with the underworld. The Cannabis Experiment will run for 4 years from the day the growers offer the first cannabis in the coffeeshops of the participating municipalities. The 4 years will be followed by a run-out period of 6 to 18 months.

#### **PROJECT C HOLDING BV'S LICENSE APPLICATION 28 JULY 2020**

A license will be granted to six to ten companies, each of which is expected to be capable of growing a minimum of 6.5 tonnes of cannabis per year for recreational use. Project C Holding will request a license for the production of 12 tonnes of cannabis per year. The company was founded by an attorney, a general practitioner and a politician, later joined by a master grower and a greenhouse construction expert. The founders and these experts have been preparing the project plans for the safe cultivation and distribution of cannabis since 2018. The management has now been expanded with a Chief Financial Officer and a sales director. Project C Holding has concluded an agreement with Securitas for the security of the growing facility.

The license application must be submitted no later than 28 July 2020. The government has stated that a decision will be taken on which applicants will be granted a license within six months (by the end of January 2021 at the latest). If the date is met and Project C Holding is granted a license, the Board of Directors expects the cultivation facility to be able to supply cannabis products to the coffeeshops in participating municipalities on 15 May 2022.

Project C Holding will market a minimum of ten cannabis varieties (weed and hash) from that date. The other growers that obtain a license will also have to be able to deliver to the coffeeshops on that date. If the growers are unable to be ready together on the same day for the delivery of the cannabis ordered by coffeeshops, the start of the Cannabis Experiment will be delayed. After all, it would not benefit the experiment if the coffeeshops do not have enough weed and hash to sell to their customers.

#### **FIRST DELIVERY TO THE COFFEESHOPS: POSSIBLY ON 15 MAY 2022**

Project C Holding has opted for 15 May 2022 and will do everything in its power to have created sufficient stocks of cannabis products on that date to meet the demand of the coffeeshops. However, Project C Holding cannot determine whether this date is also feasible for its competitors, or whether its competitors can deliver before 15 May 2022 and the government opts for the earlier date. In any case, Project C Holding will start building up a stock of cannabis as of 1 October 2021 by putting the cultivation capacity into use, so that cannabis could potentially be delivered to coffeeshops earlier than 15 May 2022 if necessary.

Project C Holding expects the Cannabis Experiment to run from 15 May 2022 to 15 May 2026. After the third year of the experiment, the appointed supervisory committee will start evaluating the Cannabis Experiment up to that point. Based on that evaluation, a political decision will have to be taken before the end of the fourth year of the experiment. If the Cannabis Experiment is successful, the government may decide to extend it for a period of up to eighteen months. During this time, it can legislate the nationwide roll-out of legal cultivation and sale to all coffeeshops in the Netherlands. If the Cannabis Experiment returns disappointing results, the government may decide to phase out the experiment at an accelerated pace (within 6 months) and either reintroduce the tolerance policy or take another decision, such as banning the sale of cannabis for recreational use to consumers. Project C Holding's Board of Directors wishes to contribute to the success of the Cannabis Experiment, as a return to the tolerance policy or a ban on the sale of cannabis could have serious consequences for safety in the Netherlands. Banning the sale of

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cannabis to consumers would create an extensive black market. Project C Holding's Board of Directors believes that such a ban and the continuation of the tolerance policy will result in the Dutch authorities losing the "war on drugs". The Cannabis Experiment is intended to prove that regulating and, in time, legalising the sale of cannabis products will have positive effects on society.

#### **MULTIANNUAL BUDGET WITH A HIGH MARKET SHARE**

Project C Holding has prepared a multiannual budget with forecasts of the cultivation quantity, turnover, production costs, operating costs, EBITDA and net profit. Project C Holding has based this budget on the assumption that the participating coffeeshops will sell an average of 520 kg of cannabis products per year. Project C Holding expects to be able to supply its products to an increasing number of coffeeshops over time. In the first year of operations, it will supply 38 coffeeshops; that figure is expected to grow to 54 by the last year. Coffeeshops participating in the Cannabis Experiment are allowed to sell products from all legal growers. There will be a large supply of multiple varieties, which is good for blocking black-market trading. The ultimate goal is to deliver high quality and establish good relationships with the coffeeshops.

Project C Holding has forecast a high market share of 24% for the cannabis products it supplies to the coffeeshops. The forecast may be too optimistic, as the average market share for six large suppliers is 16.7%. However, because of the scale, the Board of Directors expects to be able to do a lot of research and development, apply good genetics and develop cannabis strains that will be appreciated by consumers. Consumers will receive high quality, pure weed and hash. Project C Holding will employ growers who can skilfully develop this type of cannabis plant through cultivation in greenhouses. The company will not be growing indoors and is currently discussing the establishment of the cultivation facility with three municipalities. Project C Holding will announce the municipality selected for the growing facility before 28 July 2020.

#### **AVERAGE CANNABIS PRICE FORECAST: EUR 4.30 PER GRAM**

The Board of Directors expects an average sales price to coffeeshops per gram of cannabis (distributed over all offered product varieties) of EUR 4.30 per gram. Over time, the Board expects the price to drop further due to the scale from which the company seeks to benefit, the application of new technologies and improved cultivation processes and increasing competition. In countries and states which have legalised the cultivation of cannabis, such as Colorado, a sharp decline in the sales price of cannabis has been observed over time. The Board expects that the sales price of participating coffeeshops will fall at a slower pace because the supply side is somewhat limited by the limited number of growers designated by the government. Also, only 14% of the total number of Dutch coffeeshops are participating in the Cannabis Experiment, so Project C Holding's Board of Directors does not expect the overall price level to change significantly due to the experiment. The market within the framework of the Cannabis Experiment can, therefore, be regarded as an oligopoly. The average price per gram is estimated to drop to EUR 4.05 per gram in the four years following the start of the experiment.

The Board of Directors has based its forecasts on the cultivation of cannabis for 12 tonnes of cannabis products, including products such as pre-rolled joints and hash. Because Project C Holding is cooperating with an expert in hash production in its joint venture—Project C Hasj Task Force B.V.—it is focusing on the high quality of the manufactured hash varieties.

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Project C Holding can only forecast the sales of its products and how that will develop in the four years after the start of the Cannabis Experiment. Very little is yet known about the competition the company can expect. Project C Holding is making quality for the consumer its top priority but assumes that the competition will do the same.

In its forecast for the first financial year of the experiment, the Board of Directors assumes a turnover of EUR 31.6 million by selling 7,353 kg of cannabis to the participating coffeeshops that wish to purchase products from Project C Holding. These sales are below the annual production target of 12 tonnes because the Board has only budgeted sales from 15 May 2022 in the second financial year in which Project C Holding will have started supplying coffeeshops.

#### **KEY DATA FOR PROFIT AND LOSS ACCOUNT FOR THE FOUR-YEAR EXPERIMENT + RUN-OUT YEAR**

The below figures are based on "going concern" figures, assuming that Project C Holding's activities will continue beyond the end of the Cannabis Experiment. If this is not the case, there is a risk of a substantial book loss.

A growth in turnover of EUR 48.1 million is forecast for the second year, EUR 51.7 million in the third financial year, EUR 53 million in the fourth financial year, and EUR 55.9 million in the fifth financial year (run-off of the Cannabis Experiment). From the third financial year onwards, an assumption regarding the sale of cannabis products has been made by the Board that more than 12 tonnes can already be delivered to coffee shops that year. This assumption includes the expectation that the market will continue to grow slightly due to improved quality of the cannabis, that the company's market position will improve compared to its competitors, and that under such circumstances, the government will allow Project C Holding to slightly expand its capacity above the quantity for which a license was granted at the start of the Cannabis Experiment.

In total, Project C Holding expects to achieve a turnover of EUR 240.3 million during the duration of the Cannabis Experiment and the run-out period.

With this forecast, Project C Holding would make a net profit of EUR 9.4 million in the first financial year, in which the sale to coffeeshops may commence on 15 May 2022 after a start-up loss of EUR 1.8 million in the financial year preceding the start of the delivery of cannabis to the coffeeshops (year 0). The net profit is forecast to grow from EUR 9.4 million to EUR 14.2 million in the second financial year, to EUR 15.1 million in the third financial year, to EUR 15.7 million in the fourth year, and finally to EUR 19 million in the fifth financial year.

Please note that the turnover and net profit forecast above can in no way be guaranteed. Actual turnover and net profit may fall short of expectations for a variety of reasons. Various costs may be higher; cannabis sales, in general, could be disappointing, or the average price per gram may be lower than planned due to fierce competition, among other factors that may play a role. These risks and others that may affect turnover and returns are discussed in greater detail further on in this document.

For the turnover and profit forecast and other key data, please refer to the overview in Annex A of this document.

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**SOCIAL CONTRIBUTION: 30% OF PROFITS BEFORE TAXES**

Project C Holding has also opted to make a financial contribution to society. The company will donate 30% of the profits before taxes to projects in addiction care and donations to scientific research into cannabis use. For the projected turnover and profit, this represents a substantial sum of approximately EUR 7.8 million per year in Project C Holding's third, fourth and fifth financial year. By making these donations, the company's return will be substantially lower than if the profit were to be made available in full for distribution to shareholders. If you do not wish to invest in a company that plans to spend such a substantial part of its net profit on projects for addiction care, donations to scientific research and other forms of charity, you may wish to refrain from investing in Project C Holding. If after the end of the experiment, a national policy of regulation or legalisation of cannabis is put in place and we are allowed to continue our business, the managed annual social contribution of 30% of profit before tax will be maintained to benefit addiction care, science and charity.

The company's website is [www.project-cannabis.com](http://www.project-cannabis.com).

**What are the main risks for you as an investor?**

Generally speaking, the greater the offered or expected return, the greater the risk. The offered or expected return on the shares depends on the profit made by Project C Holding. There is a chance that the profit will be lower than expected or that the company could even suffer a loss, as a result of which you may receive a lower return or even lose some or all of your investment. The main reasons why Project C Holding B.V. may not be able to pay out the offered or expected return, or even your investment, are:

- 1. Dependency on license: Failure to obtain a license from the government for participation in the Cannabis Experiment or the revocation or non-renewal of this license at a later stage after the license has been granted.** If Project C Holding does not obtain the license, you will not have to purchase the shares for which you currently wish to subscribe. In that case, you will not be charged any issuance fees. In subscribing to this stock issuance, your risk is therefore limited to any costs you may have incurred to assess the offered investment. The revocation or non-renewal of the license after it has been granted may, in addition to the loss of issuance fees, also result in a lower return and distribution, or the loss of some or all of your investment.

The pilot phase of the Cannabis Experiment lasts 4 years. There is a run-out phase of 6–18 months at the end of the experiment, during which Project C Holding may continue to sell cannabis products to the coffeeshops in the participating municipalities. The pilot phase of the Cannabis Experiment is expected to start in mid-2022 and continue until 26 May 2026. There is, therefore, only a short period in which to achieve the projected return or compensate for setbacks in turnover and profit.

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There is no certainty regarding the continuation of the experiment after this period or a decision on the regulation of cannabis cultivation on a national scale. There is a chance that the experiment will be discontinued, and that Project C Holding will have to abandon its activities. As a result, the part of the production assets not yet depreciated at that time would have to be deducted entirely from the profits. Assuming a shortened depreciation period, the amount involved is EUR 9.65 million. It is unlikely that the production assets could be sold to third parties for a price equal to or higher than the book value.

**2. Financing risk: Failure to obtain sufficient financial resources to start and fully develop a cultivation and production facility with sufficient capacity to meet the forecast sales of cannabis and earnings per share.**

This investment round outside the scope of the AFM involves an amount of less than EUR 5 million and is sufficient to finance the first phase of the Cannabis Experiment. This is the first investment in the purchase of a growing facility.

For the entire Cannabis Experiment, Project C Holding expects to need a total capital of around EUR 20.2 million to finance the cultivation facility and the processing location (including transfer tax), the renovation and design of the nursery and the investments in security and automation, the layout of the office and the working capital, including the build-up of stock and all associated costs. The cash flow from the cultivation and sale of cannabis in the first years is insufficient for this purpose. In addition to the capital mentioned above, additional debt financing is expected to be needed in 2022. However, this amount of borrowed capital is expected to be repaid within the same financial year. For the additional equity and debt financing, Project C Holding will need to attract additional external or professional investors. The additional financing and its conditions are uncertain, and its absence or achievement under less favourable terms may have a material impact on profit and therefore on the return to be distributed.

**3. Disruption of the production and distribution process by criminal activities:** The cultivation and production of cannabis for recreational use is currently illegal in the Netherlands. The Cannabis Experiment will disrupt the current situation, and it cannot be ruled out that criminals will target Project C Holding's activities. After all, the Cannabis Experiment will disrupt their activities, so they may want to hinder the experiment, thus endangering Project C Holding's operations. Cannabis is also a valuable product, and there is a risk that criminals will target Project C Holding's plants or the grown and finished product on its way to the coffeeshop. Theft of products or business assets, sabotage or damage to business assets would lead to delays in production, loss of income and damage to property and/or image. Project C Holding will ensure adequate security for the production site and its production processes. To this end, Project C Holding is working together with Securitas. Project C Holding will contract a certified private money and value transport company for the transport of product to the coffeeshops.

The shares are not tradable on a stock exchange or platform and therefore have limited tradability: This means that there may not be a buyer for your shares if you wish to withdraw from your investment in the interim. You will run the risk of not being able to get your investment back when you want to and having to hold on to your investment longer or sell your shares at a lower price.

Further information on these risks can be found under the heading "Further information on the risks" on page 11 of this document.

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**What demographic is this investment aimed at?**

Project C Holding's shares are offered to Dutch citizens and legal entities, as well as foreign investors. This document offers the option to subscribe to a minimum of 20 shares and a maximum of 4,000 shares. Project C Holding's shares are suitable for investors who support Project C Holding's objectives and have no criminal antecedents. If Project C Holding suspects that an investor has criminal antecedents, that bidder may be refused participation.

Professional investors that register with Project C Holding for a shareholding of more than 4,000 shares should bear in mind that the Board of Directors may investigate their antecedents or require them to provide a Certificate of Conduct (VOG) to the Board. The names of participants will be provided to public authorities upon request. Project C Holding's shares are not suitable for investors younger than 18 years old.

**What kind of investment is this?**

You are investing in shares.

The face value of the shares is EUR 0.10 per share.

The intrinsic value of the shares is EUR 5.33 per share.

The issue price of the shares is EUR 25 per share.

Participation is possible from EUR 500, not including 3% issuance costs for a package of 20 shares in Project C Holding. A maximum of 199,999 shares will be sold in this issuance round without the supervision of the AFM. Each investor can subscribe to a maximum of 4,000 shares.

The issuance date of the shares is the date on which the government grants the license to Project C Holding. If the government does not grant a license, you do not have to complete the participation by purchasing the shares, nor are you obliged to pay. **If the license is granted and you have subscribed for a number of shares, you will be required to redeem those shares and pay for them within 30 days after the authorisation is granted and the shares are issued.**

The time of receipt of the subscription determines the right to receive part of the total number of shares available (199,999). Project C Holding will adhere to a first-come, first-served system.

The term of the shares is indefinite.

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The expected return per share per year is:

- In the start-up year (likely 2021):	EUR 13.14
- In the first production year (likely 2022):	EUR 6.96
- In the second production year (likely 2023):	EUR 7.31
- In the third production year (likely 2024):	EUR 9.40
- In the fourth production year (likely 2025):	EUR 9.79
- In the run-out year (likely 2026):	EUR 11.81

Further information on the return can be found under the heading "Further information on the return" on page 15 of this document.

#### What are the costs for you as an investor?

In addition to your investment, you pay a 3% share issuance fee for Project C Holding's shares (EUR 0.75 per share).

There are no costs involved in the sale of your shares.

#### For what will your investment be used?

For every euro you invest, EUR 0.40 will be used to cover costs, including office costs, salaries and other business expenses. EUR 0.60 will be invested in land, greenhouses, security and automation.

Your investment is part of Project C Holding's assets.

Further information on the use of your investment can be found under the heading "Further information on the use of the raised capital" on page 14 of this document.

#### Further information on the investment

This section of the document provides further information on the offer and the offeror. This document is intended to help you better understand the specific risks, costs and return of the offer.

Please note! The AFM has not assessed this document and offer.

The offeror is also the issuer of the shares in Project C Holding.

The issuer is a private limited company, incorporated on 19 December 2018, registered in Breda, the Netherlands, under Chamber of Commerce number 73389552. The address of the issuer is Baronielaan 135 A in Breda, the Netherlands. The issuer's website is [www.project-cannabis.com](http://www.project-cannabis.com).

Contact person: Joep van Meel, [info@project-cannabis.com](mailto:info@project-cannabis.com) and +31 76 303 88 88.

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The issuing company is effectively managed by Peter Schouten, Joep van Meel and Pascal van Oers.

The current shareholders of the offeror are Peter Schouten Investments Grow B.V., Stichting Administratie kantoor Evolvere Novum, VanMeel Holding BV, HC Beheer B.V., Stichting Crowdfunding Rechtshulp and a number of original advisors.

The issuer has the following trade names: Project C.

The issuer will market the following [products/brands]: Cannabis products such as weed, hash and so-called "edibles" in multiple varieties. Until a license is obtained from the government, Project C Holding will only work on the preparations for setting up a growing facility within the framework of the Cannabis Experiment. Before obtaining a license, Project C Holding is NOT permitted to supply cannabis to coffeeshops. The government has indicated that an application for authorisation must be submitted by 28 July 2020 at the latest and that a decision on which applicants will be granted authorisation will be taken within six months from that date. After obtaining the license, Project C Holding will offer its products under brand names that it will register as registered trademarks of its wholly-owned subsidiary, Project C IP B.V. This will be done within the billposting and advertising framework as set out by the government.

This wholly-owned subsidiary of Project C Holding will protect the company's brand names. This operating company will also protect the patents of the cannabis strains that will be used for hashish and the processes to produce hash of sufficient quality to compete with the hash sold in coffeeshops that are not participating in the Cannabis Experiment. Project C Holding will give these strains their own brand names. Project C Holding may, under the applicable regulations at that time, place its own brand name "Project C" and the brand name of the cultivated product on the packaging in a uniform font. Project C's product packaging is transparent.

These are the issuer's core activities:

- **Growing cannabis for coffeeshops:** Project C Holding will grow cannabis for recreational use. The cannabis will be supplied to coffeeshops located in the ten municipalities selected to participate in the Cannabis Experiment.

The cannabis will be sold in coffeeshops in packages of one, three and five grams. The government obliges licensed growers to grow at least ten varieties of cannabis and produce hash to deliver to the coffeeshops. Project C Holding will meet this requirement.

The growing companies may also supply pre-rolled joints to the coffeeshops. Project C Holding's Board of Directors intends to manufacture pre-rolled joints. The budget does not include any provisions for the investment in the necessary equipment, and no expectations have been included for the sale of this product. In addition, no costs have yet been estimated for the purchase of tobacco products for the manufacture of pre-rolled joints. Project C Holding will discourage smoking cannabis and recommend other ways to consume cannabis products to smokers.

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The government will appoint six to ten growers like Project C Holding as licensees. These growers will be allowed to sell to all coffeeshops located in a government-designated municipality. The following municipalities will participate in the Cannabis Experiment:

- Almere
- Arnhem
- Breda
- Groningen
- Heerlen
- Hellevoetsluis
- Maastricht
- Nijmegen
- Tilburg
- Zaanstad

The supply of the 78 coffeeshops located in these 10 municipalities will transpire in competition with the other licensed growing companies.

- **Joint venture for the development of hash products:** Project C Holding has concluded an agreement with Genetic Force B.V. for the production of hash. A joint venture will be established with the Dutch company, of which Project C Holding will hold 51% of the shares and Genetic Force B.V. will hold the remaining 49%. The joint venture agreement accounts for the fact that Project C Holding may not supply cannabis to legal entities other than the coffeeshops participating in the Cannabis Experiment. The cannabis required for hash production will be grown in-house by Project C Holding to the hash developer's specifications. It will remain the property of Project C Holding until the hash product is delivered to the coffeeshop.

Genetic Force B.V. will provide the plant breeder's rights for several strains whose license rights have been granted exclusively to a wholly-owned subsidiary of Project C Holding (Project C IP B.V.) for 99 years. Project C Holding will develop the brand names for these hash projects, and outsource the protection of those brand names to Project C IP B.V.

The subsidiary will pay a license fee to the developer of the hash strains and processing procedures to turn the strains into hash. Project C Holding will supply the required cannabis to the joint venture at market prices.

In time, Project C Holding's Hasj Task Force joint venture will develop its own strains.

- **Joint venture for the development of edibles:** Project C Holding is researching and preparing to enter into a product joint venture with a developer and producer of edibles. Edibles are food products in which cannabis has been processed in a manner permitted by the government. The Cannabis Experiment only permits processing with self-grown, raw cannabis. No concentrations, extracts, distillates, etc. are permitted. Processing cannabis for the production of edibles is, therefore, not allowed. As a result, the market for edibles is severely restricted by the government. Project C Holding expects this policy to change in the long run. After all, the government's policy is to discourage tobacco smoking. Within that policy, hampering the sale of edibles in the Cannabis Experiment is counterproductive. Consumption of edibles would reduce smoking of cannabis. We expect the government to come to the same conclusion

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regarding the benefits of edibles in due course. Project C Holding is working on the development of several food products containing cannabis granules. The budget does not include investments in the means of production for this future branch of the company. The costs and revenues per product are also not accounted for in Project C Holding's forecasts.

- Product research & development:** Project C Holding has allocated an annual budget for research & development. A substantial part of the R&D will be aimed at optimising the quality and quantity of the cultivation of cannabis products and the development of new weed and hash varieties and products that can be marketed as edibles. The expenditure forecast in the R&D budget amounts to EUR 320,000 in the first twelve months in which our products are delivered to coffeeshops, and 400,000 in the following calendar year. EUR 480,000 is earmarked for R&D in the third year of production, increasing to EUR 560,000 in the fourth year. However, these research & development costs cannot be funded from the proceeds of the share issuance offered in this document. The R&D expenses should be financed from the cash flow resulting from the supply of cannabis to the participating coffeeshops. If the forecast turnover is not achieved, the R&D budget will be negatively affected. Over time, this will negatively impact the quality and capacity of production. These negative effects have not been included in the earnings per share forecast.

#### Other information on the risks:

The main risks have already been outlined in the section "Key investment information – What are the main risks for you as an investor?" Other important risks for the issuer and the investors are described below:

#### **RISK DUE TO PAY-OUT RANKING**

- Pay-out ranking:** There is no distinction between the shares, which means there is no ranking.

#### **EXCLUSION OF POTENTIAL CONFLICTS OF INTEREST**

- Potential conflicts of interest of:**
  - Chair of the Board and lawyer Mr Peter Schouten and Schouten Legal Advocaten:** There is no risk that the interests of Mr P.C. Schouten as a partial owner of Schouten Legal Advocaten and De Advocatenbus B.V. will conflict with the interests of Project C Holding and its investors. Mr Schouten's law firm will not provide consultancy services to other legal cannabis growers to avoid the risk of a conflict of interest. Upon founding Project C Holding, Mr Schouten immediately donated a package of shares to Stichting Crowdfunding Rechtshulp (Legal Aid Crowdfunding Foundation)—which he founded—which provides effective legal aid to people who cannot obtain a subsidy from the State (the foundation currently owns 27,900 shares). There is also no foreseeable conflict of interest with this foundation.

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- **Board member and horticultural expert, Mr Pascal van Oers and VEK Adviesgroep B.V.:** Measures have been taken to mitigate the risk that the interests of Pascal van Oers may conflict with the interests of investors because he is also a director and major shareholder of VEK Adviesgroep B.V. (VEK). As a greenhouse horticulture consultancy, VEK is involved in the development of greenhouse construction projects in the Netherlands and abroad. In addition to vegetables and flowers, VEK also advises national and international clients on setting up nurseries for the legal cultivation of recreational and medicinal cannabis. It has been agreed with Van Oers that he will not personally provide advice to other companies and initiatives in the Netherlands who obtain or wish to obtain a permit to participate in the Cannabis Experiment. It has been agreed with VEK that it will not support its clients in applying to participate in the Cannabis Experiment. It can, however, use its general knowledge and experience to provide business designs, etc., similar to how it works for its foreign clients. Once the permit has been granted to Project C Holding, Van Oers will make himself or one of VEK's specialists available at the hourly market rate for as long as needed to establish the growing facility. If after obtaining the permit, in preparation for and after the purchase of the growing facility, a facility for the cultivation of cannabis needs to be set up, a consultancy agreement will be concluded with VEK for the deployment of advisors and technicians at the hourly market rate during the set-up phase. The risk that VEK, as a service provider, is not sufficiently monitored when making and implementing agreements and rates in line with the market can be mitigated by the fact that Project C Holding's Board of Directors must unanimously approve the agreements in any contract with VEK.
- **General Practitioner Mr Ronald Roothans has transferred the participation acquired in the establishment of Project C Holding to a voting trust foundation (STAK) called "Evolvere Novum":** Among other things, this foundation focuses on carrying out charitable projects. The foundation is managed by Project C Holding's three directors (Mr Schouten, Mr Van Meel and Mr Van Oers). There is no risk of a conflict of interest with the commercial interests of Mr Ronald Roothans's general practice. Both the STAK and Ronald Roothans in private have entered into a non-competition agreement with Project C Holding.
- **Board member and former politician Joep van Meel and his company Connix and CAMERASECURE.NL:** There is no risk of a conflict of interest with the commercial interests of Joep van Meel's sole proprietorship Connix and Project C Holding. Connix supplies ICT, marketing and media services. Joep will make a maximum of 30 hours per month available to the company as a director. Connix does not provide any substantial services to Project C Holding and has entered into a non-competition agreement with Project C Holding.

#### **OTHER IMPORTANT RISKS FOR THE INVESTOR**

- **Market & price risk:** The risk consists of consumer demand deviating from expectations and/or price levels deviating from expectations due to an oversupply of cannabis or a sharper price position by competitors. This means that the intended result may not be achieved, and no dividend will be paid out or final distribution made. The supply of cannabis in the Netherlands is restricted to a limited number of growers participating in the Cannabis Experiment and is attuned as closely as possible to normal cannabis use through the coffeeshops in the 10 participating municipalities. Furthermore, all participating growers must meet the same quality and business standards. They are also required to work within virtually identical social and legal frameworks and are subject to the same supervisory bodies, which will result in a level playing field. The remaining market and price risk can be considered equivalent to any other company and is, therefore, also acceptable for Project C Holding.

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- **Product quality:** The risk consists of insufficient quality of the cultivated and/or processed product. The compounds in cannabis (cannabinoids and terpenes) largely determines the quality experienced by the consumer. If Project C Holding's growers are unable to deliver consistent quality, confidence in Project C Holding's products will be damaged, and there will be reduced demand for our products from coffeeshops. Project C Holding will appoint a team of specialists who, under the leadership of our Master Grower, will use their combined, accumulated knowledge and experience in growing high-quality cannabis and establishing a state-of-the-art production facility. In addition to cultivation, a team of specialists will be appointed for harvesting, drying, storage and packaging of cannabis products.
- **Digital intrusion:** The risk consists of unauthorised infiltration into Project C Holding's systems, which could result in the theft of cultivation and production processes or compromised reliability of all registration. An important aspect of the Cannabis Experiment is traceability, from cutting to the final product. ICT is essential to that. Unauthorised access to Project C Holding's systems could result in the government permanently or temporarily revoking the license. Project C Holding will collaborate with an external cybersecurity partner to make the I.T. systems redundant and cloud-based.
- **Failure or malfunction of the ERP system:** The risk consists of failure or malfunction of the ERP system (hardware, software or ICT infrastructure). This means that it may no longer be possible to trace the origin of the product or to link the product and the measurement results (e.g. compound levels). Traceability is essential to Project C Holding's work processes. These problems could result in the government permanently or temporarily revoking the license. Project C Holding intends to collaborate with a specialist in agricultural ERP systems, which will use its knowledge and experience gained at cannabis farms in Canada, Switzerland and the United States to implement Project C's ERP system robustly.
- **Liquidity risk:** The risk consists of unexpected higher expenditures or lack of sufficient income. This could have consequences for the operation and return of your investment and even lead to the bankruptcy of Project C Holding. In setting the liquidity budget, Project C Holding has tried to estimate the amount and timing of the expected income and expenditure as carefully as possible and considered external financing where necessary. Any additionally required financing is uncertain. Failure to obtain external financing or any financing conditions that are less favourable than planned may have consequences for the return on your investment and, in the worst case, may even lead to the bankruptcy of Project C Holding.
- **Theft of finished product:** The risk consists of a robbery at Project C Holding's business location and/or the transport of end products between the growing facility and the coffee shop. This would result in a direct loss of income. A more serious consequence could be that the central government could demand that the security level is raised, which will result in higher operational costs with consequences for the company's profitability. Project C Holding has concluded an agreement with Securitas for the security of the production facility. Project C Holding is still in discussion with a certified private money and value transport company to hire them for secure transport to the coffee shop.
- **Theft by personnel:** The risk consists of the theft of product, goods or equipment by Project C Holding's personnel. This would result in the loss of turnover and/or disruption of the production process. The consequences for the experiment would be more serious, as the objective of the Cannabis Experiment is to achieve a closed chain. Such an incident may require the security level to be raised further. In the event of serious problems, Project C Holding could even run the risk of permanently or temporarily losing its license. Project C Holding will be working with Securitas for the security of the processes within the production facility. Project C Holding will do its best to rule out theft through staff screening, strict house rules and intensive supervision.
- **Burglary of production facility:** The risk consists of a burglary or attempted burglary at Project C Holding's production facility. This would result in costs to repair any damage from the burglary and an increased security level (see previous two risks). Project C Holding is working with Securitas for the security of the site.

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- **Opposition from neighbours:** This risk consists of local residents opposing the establishment of our company in their area. This could result in delays for permits, thus delaying the start-up phase for Project C Holding. Aspects such as traffic nuisance, stench, light pollution and safety could play a role. Project C Holding will try to minimise any inconvenience by using the latest air purification and horticultural techniques. Project C Holding will initiate a community dialogue to inform those involved in good time about its arrival and the consequences for their living environment.
- **Power outage:** The risk consists of failure of the power supplies. The nursery and processing facilities are largely dependent on a good power supply. Without countermeasures, a power outage could endanger the cultivation and production. To solve this, the facility will have its own power plant (CHP) comprised of several engines that produce electricity by burning natural gas. In addition to in-house generation, the facility will rely on a high-capacity grid connection for sufficient power. Fortunately, the Netherlands has one of the most stable energy infrastructures in the world. In the event of a power outage, an emergency power supply can be used to meet the power needs temporarily. In the event of longer outages, there may be consequences for cultivation and production.

**Further information on the use of the proceeds:**

If this offer is 100% subscribed to, the total proceeds will amount to EUR 4,999,975. Investors will also be charged a total of EUR 149,999.25 in issuance fees.

This amount may be lower if not all shares are subscribed to. The minimum return has yet to be determined according to the results of pre-subscriptions by investors.

The start-up costs for building up the necessary stock of cannabis products and investments in the cultivation facility and machinery amount to approximately EUR 20.2 million.

The proceeds of this offer will be used for the purchase of the nursery and the processing location (including transfer tax), the conversion and refurbishment of the nursery and investments in security and automation, the furnishing of the office and the working capital, including the build-up of stock and associated costs. 40% of the proceeds from this offer will be used for the costs relating to the investment, as follows:

Production and inventory costs	583,000
Operating costs	917,000
Salaries	525,000
<b>Expenditures for operational activities</b>	<b>2,025,000</b>

The proceeds from this offer are not sufficient for the purchase of the nursery and the processing location (including transfer tax), the conversion and refurbishment of the nursery and the investments in security and ERP equipment, the fitting out of the office and the working capital, including the build-up of stock and all associated costs.

Project C Holding intends to finance the shortfall of EUR 15.2 million by raising debt or equity, in which case Project C Holding will meet the requirements set by the relevant legislation and regulations.

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In addition to the capital mentioned above, EUR 9 million in additional debt financing is expected to be needed in 2022. However, according to the multiannual forecast, this amount of borrowed capital is expected to be repaid within the same financial year. The additional financing and its conditions are uncertain, and its absence or achievement under less favourable terms may have a material impact on profit and therefore on the return to be distributed.

The issuer has other costs in addition to the costs relating to the investment. These costs consist of the estimated lawyer's and civil-law notary's fees and other consultancy costs of EUR 90,000, as well as the costs of the background check incurred with this offer of EUR 60,000.

#### Further information on the return:

The result will be paid out as a dividend. The expected

return per share per year is:

- In the start-up year (likely 2021):	EUR 13.14
- In the first production year (likely 2022):	EUR 6.96
- In the second production year (likely 2023):	EUR 7.31
- In the third production year (likely 2024):	EUR 9.40
- In the fourth production year (likely 2025):	EUR 9.79
- In the run-out year (likely 2026):	EUR 11.81

The return on the shares will be achieved through the increased value of shares and/or pay-out of a dividend.

Investors will receive an annual dividend if the income from operations, the strategic plans, and the solvency and liquidity positions provide sufficient scope to do so.

In the event of revocation or non-renewal of the license or if the company is wound up for other reasons, e.g. after the sale of the business activities, the company will be wound up and liquidated. If any income remains after the settlement of all debts, a final distribution will be made to shareholders from the remainder after payment of the social contribution.

The investment does not generate enough income before the first disbursement date to recoup the return of all investors from that income.

The funds for the return will not be sourced from the investments of other investors.

Nobody other than the investors will receive income from the investment (other than as referred to under "expenses").

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**Further information on the issuer's financial situation:**

Project C Holding has been active since 19 December 2018.

The following is the most recent financial information available.

Balance

This information is dated 1 June 2020.

## Project C Holding B.V. Balance

Assets		2020
<b>Fixed Assets</b>		
	<i>Total Fixed Assets</i>	€0
<b>Current Assets</b>		
	Accounts Receivable	€0
	Prepayments	€ 4,075
	VAT receivable	€ 12,277
	<i>Total Current Assets</i>	€ 21,177
<b>Liquid Assets</b>		
	Bank/cash	€ 4,825
<b>Total Assets</b>		<b>€ 21,177</b>
<b>Equity and Liabilities</b>		
<b>Equity</b>		
	Capital Deposits	€ 72,650
	Balance result up to 1-6-'19	-€4,899
	Balance result 1-6-'19 / 1-6-'20	-€ 150,053
	<i>Total equity</i>	-€ 82,302
<b>Long-Term Liabilities</b>		
	<i>Total Long-Term Liabilities</i>	€0
<b>Current Liabilities</b>		
	Accounts Payable	€ 4,512
	Current Debt	€ 10,000
	Wages payable	€ 88,968
	<i>Total Current Liabilities</i>	€ 103,480
<b>Total Equity &amp; Liabilities</b>		<b>€ 21,177</b>

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The equity/debt ratio is negative. After the issuance of shares, the ratio will be 100/0.

The working capital amounts to EUR 21,177 and consists of:

- || Bank balance of EUR 4,825
- || VAT receivable of EUR 12,277
- || Prepayments of EUR 4,075

At the time of this offer, the amount of outstanding loans is EUR 0.

#### Securities

The issuer has not provided any securities or guarantees.

#### Profit and Loss Account

The following information covers 12 months from 1 June 2019 to 1 June 2020, the end of which is the same as the balance sheet date of the information above and is the most recent information available.

<b>Project C</b>	
<b>Profit &amp; Loss (P&amp;L)</b>	<b>From 1 June 2019 to 1 June 2020</b>
<b>Turnover</b>	-
<b>Gross profit</b>	-
<b>Expenditures:</b>	
Wages & emoluments	<b>126,000</b>
Other costs	<b>3,349</b>
Consultancy costs	<b>20,704</b>
R&D	-
<b>Total Fixed Costs</b>	<b>150,053</b>
<b>EBITDA</b>	<b>(150,053)</b>
Depreciation	-
Interest costs	-
Social contribution	-
<b>PROFIT BEFORE TAX</b>	<b>(150,053)</b>
Corporation tax	-
<b>NET PROFIT</b>	<b>(150,053)</b>

The following information relates to the situation after the issuance of the shares.

The proceeds of the offer are expected to be EUR 4,999,975.

The amount of equity contributed in additional shares is EUR 0.

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Project C Holding intends to finance the shortfall of EUR 15.2 million by raising debt or equity, in which case Project C Holding will meet the requirements set by the relevant legislation and regulations.

In addition to the capital mentioned above, additional debt financing is expected to be needed in 2022. However, this amount of borrowed capital is expected to be repaid within the same financial year. The additional financing and its conditions are uncertain, and its absence or achievement under less favourable terms may have a material impact on profit and therefore on the return to be distributed.

After the issuance of shares, the equity/debt ratio will be 100/0.

30% of the profit before tax will be spent on charity. This social contribution is reserved in the books and will only be paid out after all debt has been repaid, and the organisation has a positive cash flow.

After issuance of the shares, the working capital will amount to EUR 5,171,152, consisting of:

- || Bank balance: EUR 5,154,799
- || Prepayments: EUR 4,075
- || VAT receivable: EUR 12,277

#### **Further information about the offer and subscription:**

The offer period starts on 30 June 2020.

There are 199,999 shares available at an issue price of EUR 25 per share (not including 3% issuance fee).

This subscription round is subject to a minimum purchase of one block of 20 shares for a total issue price of EUR 500 (not including 3% issuance fee) and a maximum of 200 blocks for a total issue price of EUR 100,000 (not including 3% issuance fee).

This offer is not subject to AFM supervision, and there is no requirement to publish a prospectus.

Subscription does not guarantee the acquisition of the shares. Project C Holding will assess all registrations for correctness and will later determine whether your registration fits within the first investment round. Project C Holding will adhere to a first-come, first-served system. After subscription, we will keep you informed of further developments.

If your subscription for one or more blocks of shares in Project C Holding is accepted and the company obtains a license to participate in the government's Cannabis Experiment, you are obliged to purchase the number of shares you subscribe for and make payment within 30 days of Project C Holding being granted the license.

You do not yet have to make any payment immediately after your registration. Your payment obligation will lapse if Project C Holding does not obtain a license for the legal cultivation of cannabis within the Cannabis Experiment. In that case, you will also not be charged any issuance fees. You will also not be able to lay any claim to the issuance of shares as a subscriber.

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The offer period will end if an amount of EUR 4,999,975 has been paid in full on the 199,999 shares included in this offer.

Project C Holding will announce any extension or shortening of the offer period on this website in good time.

Investors must subscribe in the following manner: through the website [www.project-cannabis.com/investing](http://www.project-cannabis.com/investing).

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Annex A

Project C 							
Profit & Loss (P&L) Forecast 5 YEARS							
4-YEAR EXPERIMENT IN REGULATED CANNABIS FARMING							
[EUR]	Year 0 = 2021	Year 1 = 2022	Year 2 = 2023	Year 3 = 2024	Year 4 = 2025	Year 5 = 2026	4-YR EXP
Sold product (kg)	0	7,353	11,532	12,788	13,097	13,738	58,507
<b>Cannabis turnover</b>	-	<b>31,617,900</b>	<b>48,097,970</b>	<b>51,737,097</b>	<b>52,986,785</b>	<b>55,858,391</b>	<b>240,298,142</b>
Production costs	-	3,281,696	4,968,617	5,370,896	5,388,268	5,563,908	24,573,386
Distribution costs	-	3,476,085	5,091,705	5,506,438	5,627,419	5,892,240	25,593,888
Inventory costs	-	-	-	-	-	-	-
<b>Gross profit</b>	-	<b>24,860,119</b>	<b>38,037,647</b>	<b>40,859,762</b>	<b>41,971,098</b>	<b>44,402,242</b>	<b>190,130,868</b>
<b>Expenditures:</b>							
Wages & emoluments	524,851	4,146,311	5,695,662	6,907,074	7,393,290	5,832,947	30,500,134
Office costs/operating costs	34,000	274,155	868,670	1,052,952	1,184,335	1,224,867	4,638,978
Office rent & utilities	37,329	150,275	259,890	264,923	270,221	275,626	1,258,264
Telecommunication/ICT	38,480	135,737	153,122	162,736	165,991	169,311	825,378
Replacement/Repair/Maintenance	-	172,654	611,961	993,901	1,130,482	1,418,425	4,327,423
Other costs	226,120	30,000	34,416	48,356	53,620	55,470	447,982
Accountant/lawyer/tax advisor fees	350,970	250,000	285,000	360,000	435,000	497,000	2,177,970
Insurance costs	138,046	284,615	321,629	314,959	297,633	220,547	1,577,430
Crop failure	-	332,032	154,584	152,939	124,044	72,321	835,920
Unforeseen costs	91,980	691,650	1,208,249	1,693,584	2,068,303	1,938,839	7,692,605
R&D	-	320,000	400,000	480,000	560,000	-	1,760,000
<b>Total Fixed Costs</b>	<b>1,441,776</b>	<b>6,787,430</b>	<b>9,993,184</b>	<b>12,431,423</b>	<b>13,682,919</b>	<b>11,705,353</b>	<b>56,042,084</b>
<b>EBITDA</b>	<b>(1,441,776)</b>	<b>18,072,690</b>	<b>28,044,464</b>	<b>28,428,339</b>	<b>28,288,179</b>	<b>32,696,890</b>	<b>134,088,784</b>
Depreciation	(332,454)	(1,927,805)	(2,092,487)	(2,118,199)	(2,118,199)	(2,118,199)	(10,707,344)
Interest costs	-	(386,667)	-	-	-	-	(386,667)
Social contribution	-	(4,195,196)	(7,785,593)	(7,893,042)	(7,850,994)	(9,173,607)	(36,898,432)
<b>PROFIT BEFORE TAX</b>	<b>(1,774,230)</b>	<b>11,563,021</b>	<b>18,166,384</b>	<b>18,417,098</b>	<b>18,318,986</b>	<b>21,405,083</b>	<b>86,096,342</b>
Corporation tax	-	(2,110,768)	(3,928,705)	(3,983,110)	(3,961,820)	(4,631,503)	(18,615,906)
Investment income	-	-	-	700,000	1,400,000	2,240,000	4,340,000
<b>NET PROFIT</b>	<b>(1,774,230)</b>	<b>9,452,254</b>	<b>14,237,679</b>	<b>15,133,987</b>	<b>15,757,166</b>	<b>19,013,580</b>	<b>71,820,436</b>

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