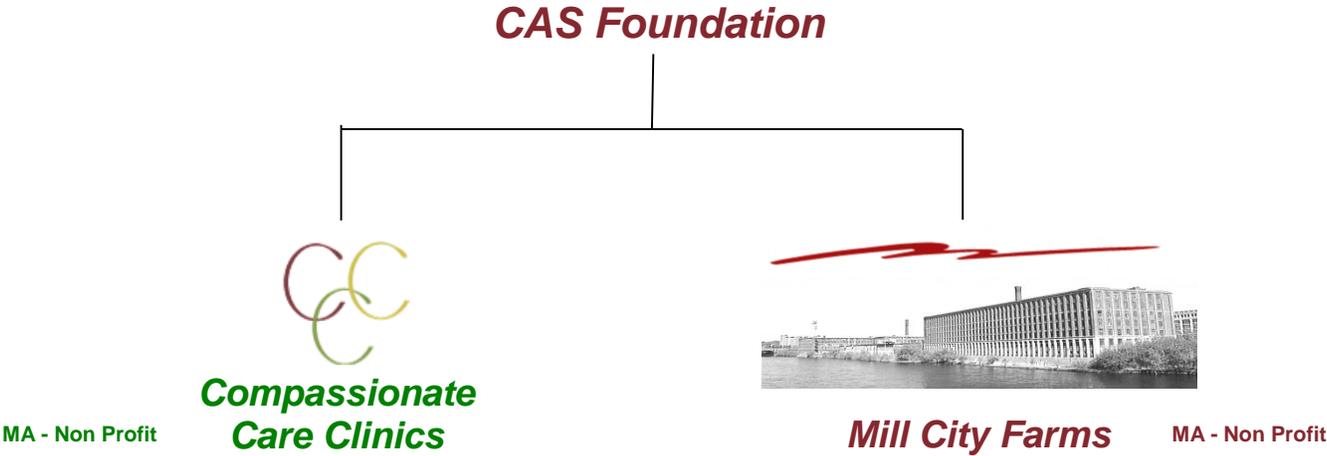


# A Significant **“Community Collaboration”** in the Humanitarian Medical Use of Marijuana Industry in Massachusetts

## Background

In May of 2015 the Department of Public Health published a new application and granting process, for the granting of “certificates / licenses” to operate Registered Medical Marijuana Dispensary and Cultivation Centers. “Applications are not scored, but instead reviewed to determine if they comply with Chapter 369 of the Acts of 2012, *An Act for the Humanitarian Medical Use of Marijuana* (the “Act”), and DPH regulations at 105 CMR 725.000”.

*CAS Foundation’s Executive Management Team, Systems and Methods including Policies and Procedures have been previously vetted by the DPH and received a status of “QUALIFIED”.*



## **BUSINESS PLAN** *Community Edition*

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# Confidentiality Agreement

The undersigned reader acknowledges that the information provided by the CAS Foundation in this business plan is confidential; therefore, reader agrees not to disclose it without the express written permission of the CAS Foundation.

It is acknowledged by reader that information to be furnished in this business plan is in all respects confidential in nature, other than information which is in the public domain through other means and that any disclosure or use of same by reader, may cause serious harm or damage to the CAS Foundation.

Upon request, this document is to be immediately returned to the CAS Foundation.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Name (typed or printed)

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## 1.0 Executive Summary

### 1.1 Overview

The CAS Foundation (the “Centers”) plans to open its doors to **three (3) Centers** in late 2016 after it is duly licensed by the Commonwealth of Massachusetts. Like many dispensaries, the Centers will provide medical cannabis to approved patients. Unlike some dispensaries, however, we see our mission extending well beyond simply providing medicine. We seek to help our members improve their quality of life, so our greater focus is on their *wellness*—not simply helping them alleviate a painful or chronic condition.

When open, the Centers will be clean, modern facilities that emphasizes health and wellness. We will grow and dispense safe, high-quality products that are professionally processed, packaged and presented to patients in a compassionate, service-focused environment. Staff will be well trained, and strive to serve members courteously, responsively and always with their dignity in mind.

In addition to medicine, we will offer services that help patients manage pain, improve physical conditioning, reduce stress and adopt better nutritional practices. Products and services will be offered regardless of patients’ ability to pay, so no one in need is ever turned away.

While delivering on our mission as a non-profit organization, we are mindful that we must remain legally compliant, financially sound and responsive to the community in which we operate.

This plan represents a realistic and achievable vision of what Massachusetts’s model medical cannabis dispensary can be.

### 1.2 Objectives

During the first year, business goals for the **three (3) Centers** are to:

1. Open the CAS Foundation Centers and serve an average of 1800 patients per month during the first six months of operation, per Center.
2. Generate at least \$980,000 in average monthly revenue by the end of the first full year with sales from a combination of medicine in various forms.
3. Increase revenue from \$2.97 million in the ramp-up period to \$19.8 million by 2018.
4. Hire employees who are happy, motivated and actively contribute to a good working atmosphere for patients and other employees.
5. Develop and maintain a loyal patient following.
6. Develop community outreach programs that include classes on pain management, wellness strategies and oncology issues; ongoing support groups for cancer and chronic pain support, and an educational drop-in program for those new to medical cannabis.

7. Offer a wide variety of holistic healing and alternative care services, including yoga, nutrition classes, acupuncture, peer counseling, chiropractic, substance misuse counseling and more.

### **1.3 Mission**

Provide safe, dignified and affordable access to medical cannabis for approved patients in the Commonwealth of Massachusetts.

### **1.4 Vision**

The CAS Foundation envisions being a community-oriented, nonprofit organization that provides Massachusetts patients in need with safe access to high quality medicine, wellness services and educational resources.

We foresee the Centers serving as model facilities that operates in full compliance with the law, maintains the highest standards of professional operation and truly serves the needs of patients in our state.

#### **Our Commitments:**

- Operate with complete adherence to state and local ordinances, and maintain a solid working relationship with all government authorities, including law enforcement and health department officials.
- Maintain financial viability to support our ongoing mission as a non-profit organization whose purpose is to serve our patients, our community and our other stakeholders.
- Maintain a physical environment and organizational culture where all are treated with respect, compassion and care.
- Be a good neighbor to local residents and businesses by engaging community leaders and citizen groups as a responsible service provider.
- Provide licensed patients with alternative health resources in a professional and compassionate environment by offering free and low-cost wellness services that help improve the quality of life for anyone in need.
- Educate our patients on the proper and responsible use of medical cannabis.
- Serve our community, both patients and non-patients alike, through charitable community events and services.

### **1.5 Core Values**

The Center believes in:

- **Highest Quality Products**- we cultivate and provide safe, high-quality medicinal products subject to careful processing and, where feasible, testing by an independent laboratory.

- **Compassion**- serving our patients professionally with sensitivity to their needs in a clean environment where they feel safe and secure.
- **Responsiveness**- in our dealings with our patients, employees, lenders and the community.
- **Transparency**- our financial data is regularly audited by an independent accounting firm.
- **Community Service**- conducting varied and ongoing outreach activities to serve the needs of patients and others in our community.
- **Education**- providing facts and information to help people understand the responsible and effective use of medical cannabis.
- **Being a “Good Neighbor”**- by working with the community, the city and police department as a responsible service provider.

## 1.6 Keys to Success

Important keys to our success include:

- We will position the Centers as a responsible business in the community and develop close working relationships with civic, business and government leaders and their staffs.
- Highly detailed planning and execution is critical. We will put in place the staffing, training and infrastructure required to cultivate safe, high-quality medicine, and we will apply industry best practices to medical cannabis dispensary operations.
- Financials, especially cash flow, must be well planned and managed, and kept to high standards commensurate with our nonprofit status and visibility in the industry.

## 2.0 Organization Summary

### 2.1 Legal Entity

Legally named CAS Foundation, Inc., a non-profit Massachusetts Corporation founded in 2008. It is governed by a five-person board of directors, with its chief executive officer overseeing daily operations and serving as executive director.

### 2.2 Startup Summary

Following are some of the milestones the Centers has accomplished thus far:

- Engaged a qualified team to serve as advisors with expertise in legal, financial, cannabis dispensary operations, security and more.
- Prepared a comprehensive application package and business plan that addresses all areas required to fund and operate a legally compliant, sustainable organization that can fully deliver on its mission.

## 2.3 Start-Up Funding

Management has assumed that \$0.00 million is needed for the initial capital and operating needs to open the compassion centers. This includes a build-out cost for the Centers at \$0,000,000.00, and working capital at \$0,000,000.00.

## 2.4 Long-Term Viability

As a non-profit organization, the Centers will ensure its long-term viability through a continuing focus on three key pillars of operation:

- 1. Staying true to its mission.** The Centers mission are to "Provide safe, dignified and affordable access to medical cannabis for approved patients in the Commonwealth of Massachusetts." We will publish this mission prominently for our patients, employees and the general community. Management will actively use our mission as a yardstick by which to measure our actions and performance.
- 2. Involving stakeholders.** Successful organizations are those where stakeholders feel a sense of ownership and pride, and actively participate in shaping the direction and future of the organization. We will conduct ongoing efforts to seek feedback from patients, employees, advisors, government officials and the general community on key matters involving the Centers. Examples will include periodic surveys, open meetings and actively encouraging submission of feedback.
- 3. Financial viability.** Although the Centers is a non-profit organization, we cannot fulfill our mission unless we have sufficient resources to continue operations. We are committed to providing services at a fair market value and generating a funding surplus. Our board of directors will review our financial performance on a regular basis and take appropriate action to ensure that we meet these commitments. We will also involve qualified advisors to help us achieve prudent financial management and efficient operations. These advisors include principals from two of the nation's leading medical cannabis dispensaries, which have solid records of operational and financial success using a similar model.

## 3.0 Products and Services

### 3.1 Product and Service Philosophy

Based on the core values of the Centers, product sales are firmly grounded in a service model. While there may be some differences in product quality from one dispensary to another, cannabis is largely a commodity, so product differentiation rests primarily on how products are sold. The Centers will work diligently to deliver on its core value that calls for "highest quality products." Following is a general outline of how the Centers plans to approach product quality and service.

#### Strict Quality Control Guidelines

In states where dispensaries sell cannabis grown from collective members, studies have shown that some samples contain fungus, molds and other unwanted microbes that can affect immune-suppressed patients who buy them. In addition, potency can vary widely

from one strain of cannabis to another.

Because of Massachusetts's law that allows dispensaries grow medicine, many of these issues can be eliminated through cultivation methods and proper quality control processes.

However, as an additional measure, we will implement laboratory testing to control contaminants and standardize potency once these capabilities are made available through independent analytical laboratories. This will enable us to sell only the highest quality medicine and enable patients to know what to expect from their purchase, including an objective measure of the amount needed to appropriately address their symptoms. For any medicine that is acquired by licensed patients or caregivers, the same standards with testing will be upheld.

### **Zero Tolerance on Product Performance Issues**

Any product found to have a potential problem shall not be provided to patients, unless and until it passes further review and inspection.

## **3.2 Product Line**

The Centers current product line includes the following:

### **Product Line Description**

#### **Flowers**

Dried cannabis "buds" that can be smoked in a pipe, rolled into a cigarette (or 'joint'), smoked using a water pipe (commonly called a 'bong') or vaporized with vaporizer products (believed to be the safest form of inhalation).

#### **Extracts**

Extracts such as hashish are manufactured by separating the trichomes (semi-transparent granular hair-like outgrowths) from the cannabis flowers to create a concentrated dose of this specific part of the cannabis plant.

#### **Preparations**

Joints, tinctures, dermals, nectars, salves

#### **Edibles**

Edibles are foods cooked with butter or oil that has been infused with cannabis (e.g. bars or cookies). Edible cannabis usually takes longer to take effect (20 minutes to an hour or more) and the effects generally last longer than smoking or vaporizing.

#### **Accessories**

Grinders, vaporizers

#### **Educational Materials**

Books, DVDs relating to cannabis use and cultivation

#### **Gardening**

Immature plants (clones), seeds, nutrients, pesticides

#### **Apparel**

The Centers may offer branded wearable merchandise at some future point if it is determined that patients would like to purchase it.

### **3.3 Services**

The Centers places a high emphasis on education—providing ample information to help patients choose products appropriately and understand how to use them effectively and responsibly.

Other than services directly related to membership and sales, the Centers also provides a wide range of other services designed to help patients maintain a healthy lifestyle. Many programs and services are available at no charge, and some are offered to non-patients. The list includes workshops, support groups, classes and other programs, including:

- Peer Counseling
- Chiropractic
- Therapeutic Massage
- Yoga
- Ayurvedic Healing
- Horticulture Classes
- Cooking Classes
- Nutrition Classes
- Acupressure
- Art and Music Therapy
- Classes on pain management, wellness strategies and oncology issues
- Guided meditation
- Self-Hypnosis
- Resource Services (referrals for a wide variety of essential life, social and economic services)
- Herb clinic with an herbal medicine consultation and free herbs
- Ongoing support groups: women's cancer support group, chronic pain support and an educational drop-in time for those new to medical cannabis
- Programs on growing your own medicine (including organic and solar), making edibles
- Counseling services focusing on proper medication practices and avoiding substance misuse

### **3.4 Services for Charity Care**

As part of a commitment to providing compassionate care and improving the quality of life for anyone in need, the Centers will offer a Compassion Program for disabled, terminally ill, and fixed/low-income patients. We believe strongly in an individual's right to personal health empowerment through access and knowledge. To support this mission, the Centers is dedicated to offering access to alternative healing services, regardless of financial status, and to providing educational materials designed to help members better understand how to meet their needs on their quest for optimal health. In order to be considered for the program, patients must be a cardholder in good standing in the Massachusetts Medical Marijuana Program.

Patients will be required to complete a Compassion Program registration form that includes information on their income, living situation, preferred method of consumption and medicating schedule. This form will help Centers staff to determine whether the patient

qualifies for the program and to what extent they require assistance. Upon verification of patient status with the Centers, a program representative will contact patients to schedule an intake appointment. The appointments will be approximately a half an hour in length and used primarily to validate the information provided on the registration form. Patients will be required to show documentation of their financial status at the appointment.

The need assessment method used by the Centers to calculate whether patients qualify for the Compassion Program is modeled after a standardized data analysis formula that is widely used by local community assistance programs. All Compassion Program members will be required to adhere to the Centers Membership Agreement and Code of Conduct. Membership in the program will be renewed every six months.

## **4.0 Perspective and Industry Analysis**

### **4.1 Industry Analysis**

#### **History of the Medical Cannabis Industry**

The legal medical cannabis industry in California began in 1996 when a referendum known as Proposition 215 was approved by 56% of California voters. Subsequently the Compassionate Use Act of 1996 codified the rights of authorized patients to possess and cultivate the medicine under the California Health & Safety Code Section 11362.5.

In 2004, SB 420 clarified how much medicinal cannabis patients could grow and possess, and it allowed local governments to set additional guidelines.

In August 2008, the California attorney general issued guidelines for the security and non-diversion of cannabis for medical use, further clarifying the legalities of medical cannabis in dispensaries.

Since 1996, additional states have followed California's lead. In addition to Massachusetts, medical cannabis use is now legal in Alaska, Colorado, Hawaii, Maine, Michigan, Montana, New Jersey, Nevada, New Mexico, Oregon, Vermont, Washington, the District of Columbia (DC), Arizona, New York, New Hampshire, Minnesota, Illinois, Wisconsin and Rhode Island.

#### **Momentum Continues**

Despite opposition and the challenges that dispensaries face, medical cannabis use appears to be here to stay. Growth factors include significant support among the general population and gradual acceptance in the medical community. The medical community has been slow to embrace cannabis as a medicine, but it appears to be just a matter of time. There is a considerable body of evidence that medical cannabis is as good—if not better—for treating certain conditions than many chemically produced medications.

NORML statistics show that cannabis is used to treat a range of conditions from chronic to acute and terminal.

- 40% chronic pain
- 22% AIDS-related
- 15% mood disorders
- 23% all other categories

Specific conditions for which medical cannabis is currently used as a treatment include:

- AIDS (HIV) & AIDS Wasting
- Alzheimer's Disease
- Appetite / Nausea
- Arthritis
- Asthma / Breathing Disorders
- Chemotherapy
- Crohn's / Gastrointestinal Disorders
- Epilepsy / Seizures
- Glaucoma
- Hepatitis C
- Migraines
- Multiple Sclerosis / Muscle Spasms
- Pain / Analgesia
- Psychological Conditions
- Tourette's Syndrome
- Terminally Ill

According to ASA, more than 6,500 reports and journal articles from around the world support the medical value of cannabis. Hundreds of scholarly studies have demonstrated cannabis' ability to reduce pain, fight nausea, improve appetite and ease other symptoms—with virtually no harmful side effects. In contrast, many of the standard pharmaceuticals currently used to treat these conditions pose unpleasant or potentially harmful side effects.

After careful scrutiny and substantial consideration of the evidence over decades, dozens of public health organizations have endorsed medical cannabis use. The list is impressive. Supporters include the National Association of People Living with AIDS, AIDS Action Council, American Public Health Association, and American Academy of Family Physicians, American Nurses Association, Federation of American Scientists, Kaiser Permanente, New England Journal of Medicine, and National Association for Public Health Policy, California Medical Association, Whitman-Walker Clinic, Lymphoma Foundation of America, and many more.

Even the American Medical Association, which has long taken a conservative stance on the issue, revised its policy in November, 2009 calling for an easing of federal classifications that make it extremely difficult to study the impact of medical cannabis.

### **Friendlier Federal Policies Will Further Industry Growth**

DEA raids on medical cannabis dispensaries have mostly waned since President Barack Obama took office. Obama repeatedly stated during his campaign that he would take steps to end the practice, effectively eliminating the competing position between federal and state laws.

In October 2009, Attorney General Eric Holder reinforced that commitment as he directed federal prosecutors to stop pursuing cases against medical cannabis patients whose conduct was otherwise lawful under state law. Those guidelines were contained in a memo from Deputy Attorney General David Ogden that was sent to United States attorneys.

With a more relaxed legal climate in place, it is likely that the medical cannabis dispensary industry will experience a surge in growth. Some or all of the following trends are expected to occur:

- The climate of fear that the DEA raids has caused will abate, increasing patients' comfort level in visiting dispensaries.
- More patients will feel comfortable seeking physicians' recommendations for medical cannabis use, and physicians will feel more comfortable giving them.
- New dispensaries will open as demand increases due to the more tolerant climate.
- Existing dispensaries will see an increase in business.
- Additional localities will address medical cannabis as federal tolerance improves and pressure increases to find new sources of tax revenues in a challenging economy.
- Some dispensaries will become industry leaders and seek industry dominance as they improve operating efficiency and open additional Centers.

## 4.2 Market Assessment

As noted earlier in the Industry Analysis, the medical cannabis dispensary industry is still in its infancy and is relatively undeveloped compared to most industries. Quantifying the market (the number of patients and/or potential revenue) is difficult to quantify because:

- There is no central trade association or source of comprehensive information about dispensary operations and data.
- The stigma associated with cannabis use, along with the threat of possible legal difficulties, has forced many patients to "fly under the radar." Therefore, user data that might be openly published and accessible in other types of markets is not available.
- Data gathering is further impacted by HIPAA laws that specify strict handling of patient information for privacy reasons.

### Massachusetts Emerging Medical Cannabis Market

In November 2012 the people of Massachusetts overwhelmingly passed the **Humanitarian Medical Use of Marijuana Act**. Providing an avenue through which patients in need can qualify for and gain access to safe, quality medical cannabis.

#### Market Size- Massachusetts

Because there is no authoritative source of industry data for the medical cannabis market in Massachusetts, management is relying on State estimates that place the number of potential patients at 136,000. However, Center management believes that the potential market in Massachusetts is probably well above this number.

The Marijuana Policy Project (MPP) estimates that, for every 1,000 residents in the U.S., 2.05 on average are medical cannabis patients. If this average is assumed to be more representative of the probable patient population in Massachusetts, then the State's patients would number 136,000 (assuming current population of 6,500,000). On the other

hand, if Massachusetts experience is closer to states such as Washington and California, it could mean an even larger patient population—perhaps over 200,000.

#### Point of Information;

In November 2016 there will be a ballot question of the legalization of marijuana for recreational use.

In a recent survey over 35% of people asked said they would use marijuana recreationally if legal. 35% of 6,500,000 = 2,250,000 + or -.

### **4.3 Market Segmentation / Customer Profile**

Constructing a detailed profile of the Centers patients is challenging because of dispensaries' rigorous commitment to privacy and confidentiality. Most dispensaries not only protect patient data, but most avoid the appearance of collecting it—given the health issues that patients face and the risks they perceive with the legality of visiting a medical cannabis dispensary.

However, some data is available from anonymous surveys conducted for dispensaries in 2009 and 2010. While the Centers patient base may vary due based on local or regional differences, the following data provides a general glimpse of what its patient base can be expected to look like.

**Gender:** Two out of three patients are male (67%).

**Age:** Median age (half above, half below) is approximately 37 years. More than a quarter are mid-forties and older.

**Zip Code:** The largest concentration of patients' lives within a 30-minute driving range of the dispensary.

**Employment:** Respondents are employed (33%-41%), with another 16%-18% are self-employed. Around 11% are retired, and 12%-15% are disabled and/or on disability.

**Occupation:** Those who work outside the home are concentrated in white collar occupations (management, professionals, service, sales and office workers).

**Medical Need:** When asked what condition prompted their need to seek medicine, respondents report that chronic pain is at the top of the list, with well over a third selecting this option. Sleeplessness, anxiety and arthritis also rank high, combining to affect over a third of dispensary members.

**Last Visit:** More than a third of patients reported visiting their dispensary within the prior month, and nearly two thirds said their last visit was within 90 days.

## **5.0 Strategy and Implementation Summary**

### **5.1 SWOT Analysis**

The SWOT analysis provides us with an opportunity to examine the internal strengths and weaknesses the Centers must address. It also allows us to examine the opportunities presented to the Centers as well as potential threats that lie beyond its control.

#### **5.1.1 Strengths**

The following strengths are internal to the Centers:

- Qualified, professional management team with backgrounds in business and management.
- Proven model of patient-centered approach with strong emphasis on health and wellness.
- Strong support team.
- Heavy reliance on financial and operations data and systems (e.g. QuickBooks, inventory control, POS system).
- Sophisticated merchandising approach: packaging, labeling, display, etc.
- Ideal location in central Massachusetts, accessible to every major highway.
- Facility with adequate space for patient support programs and a cultivation area.
- Strong board of directors who are focused on fulfilling the Center's mission and meeting community needs.
- Good working relationships with area law enforcement.
- Principal owner's belief in compassionate care is based on personal experience.
- Access to sufficient capital.

#### **5.1.2 Weaknesses**

The following weaknesses are internal to the Centers:

- Lack of comprehensive market data.
- Unclear marketing protocols for potential alliances and professionals who may be in a position to refer patients.

#### **5.1.3 Opportunities**

The following are opportunities the Centers can leverage that lie outside of its organization or control:

- General public acceptance of cannabis use as a medicine is growing.
- New federal administration policies toward legal dispensaries are more tolerant.
- There is still a significant underserved market in the Massachusetts area.
- The Centers can continue to build and strengthen alliances with medical providers (AIDS, cancer and general health), counselors and others in the wellness industry.
- The size of the State which will help the Centers connect well with the community and more easily generate awareness.
- There will be limited competition, which creates predictability and enables management to divert resources into better serving patients.

### **5.1.4 Threats**

The following factors represent potential threats that lie outside the Centers organization and control.

- There are still significant preconceived negatives by society at large about medical cannabis use. The Center will continue to monitor trends and work to effect change through high operational standards, good community relations and by playing an active role in changing public attitudes about medical cannabis.
- The dynamic tension between federal and state government regarding legalities of medical cannabis is not fully resolved. While raids are unlikely, particularly in view of the Centers transparency and legal operation under state and local law, issues with the legality of medical cannabis could re-surface as an issue. The Center will continue to remain compliant with state and local ordinances.
- Irresponsible users of cannabis.
- The economy could turn down, dampening the Centers performance.
- The Centers could experience a crop failure.
- Fee-for-service doctors could generate a negative image for the industry.

## **5.2 Marketing and Sales**

### **5.2.1 Branding and Positioning**

Many medical cannabis dispensaries operate with the assumption that, since patients are pursuing cannabis as a medicine, they must also resonate with most or all of the other aspects of the drug counter-culture. This leads to many developing an image more closely associated with hip-hop or stereotypical “stoners” than with service-oriented professionals who regard themselves as part of a healing, healthy lifestyle.

The Centers approach is clearly the latter. Our focus is healing, health and a balanced lifestyle. We also believe the overwhelming portion of those seeking medical cannabis staff will be professional in appearance, and see themselves as a positive, integral part of the community—rather than as an isolated subculture standing in opposition to the mainstream.

The Centers approach is designed to better meet the needs of patients who seek a modern, clean, safe and professionally managed facility. General differentiators that appeal to patients will include the following:

- **Focus on Healing** - The Centers emphasizes health and healing—not the drug culture. We are a member-focused community whose mission is to help our members heal and achieve the highest possible quality of life.
- **Service Orientation** - The Centers staff will be comprised of patients and caregivers, many of whom have survived an illness. We are truly committed to service quality and providing a high degree of information to patients in a consultative format.
- **Higher Quality Medicine** - The Centers will focus on cultivating safe, high-quality medicine grown with organic processes. When the services of an independent laboratory are available, medicine will be periodically tested for contaminants and to determine potency.
- **Reliance on Merchandising** - The Centers will take a personalized approach to dispensing medicine so service is tailored to patients' individual needs. This includes giving patients a variety of choices in neatly arranged display cases, packaging product in attractive containers and allowing patients to see product up close and smell it while making a purchase decision.
- **Use of Current Technology** - The Centers will utilize point-of-sale software and bar-coding technology to help manage its transactions and track inventory. This technology provides more information and control to help us make better decisions about how to better serve patients.

### **5.2.2 Competition**

Because of prevailing law in Massachusetts there are presently 15 facilities and 70 or more in the pipe-line.

Should all additional compassion center licenses be granted, they could pose competition.

Indirectly, the Centers faces competition from illegal sales of cannabis, although this is very difficult to quantify because it is a prohibited activity.

### **5.2.3 Pricing Strategy**

The Centers pricing will be intentionally set at or above the midpoint of the scale locally, largely due to the higher quality of medicine it will offer to patients.

In order to prevent diversion of medicine to the illegal market, the Centers will set its average medicine price at the mid-point range of current (illegal) market prices for cannabis in Massachusetts. Diversion refers to the phenomenon that occurs when dispensaries price their products too far below prevailing rates for cannabis purchases. When this occurs, it creates an incentive for patients to purchase medical cannabis and resell it for a profit at the higher market rate. Through its pricing practices, the Centers will support state law by discouraging diversion.

Pricing will reflect the type of medicine, quantity purchased and quality. Management anticipates charging an average price of \$35 for an eighth ounce, which is in line with current market pricing that ranges between \$200 and \$300 per ounce. Any surplus revenue created due to this pricing approach will be used to support patient services, including free and low cost medicine as needed. The Centers will occasionally offer discounted medicine, either as incentives or as assistance for those with lesser ability to pay, such as seniors, veterans and patients on disability.

## 5.2.4 Marketing Objectives

In view of data and opportunities presented within this plan, the following summarizes general objectives for the dispensary in the next one to two years of operation:

- **Increase Public Education** - Prevailing attitudes about medical cannabis are continuing to relax. But prior issues with legality and social stigma have constrained the market. The Centers can attract new patients by continuing to educate the local public about cannabis as a viable, safe alternative medicine.

- **Heighten Standards and Recruit Members** - The Centers plans to increase membership and revenue growth as it improves operations and expands services.

- **Expand Provider Alliances** - As legal concerns abate in the provider community, more physicians are likely to consider recommending medical cannabis to their patients. The Centers can undertake additional proactive alliance and referral strategies that will result in additional patients becoming members.

- **Increase Brand Awareness** - One of the early challenges for a dispensary is generating awareness and earning high brand loyalty. Our design and service based programs, based on best practices of leading successful dispensaries, will make us a destination for patients throughout Massachusetts.

**Maintain Outreach Efforts** - By working with community groups and participating in community events, the Centers better serves its community. It also builds awareness, relationships and cooperation that will lead to increased referrals and member growth. We have dedicated a line item in our budget for investment in worthy outreach programs to help patients and give back to the community. In addition to assisting organizations like the Massachusetts Patient Advocacy Coalition (MAPAC), the board will meet regularly to discuss distribution of these community outreach funds and support causes reflective of our mission. MAPAC will be the primary recipient of the community outreach funds from the Centers. Funds will also be distributed to community organizations and needs that are located in the Host Cities. A particular focus will also be made on supporting Host Cities based organizations that deliver primary health care services to low-income and indigent patients in the City.

## 5.2.5 Marketing / Promotional Strategy

Leading dispensaries elsewhere have found that word of mouth and a media campaign are two of the most important ways to attract patients and build awareness. The Centers will leverage these and other proven methods as it undertakes the following initiatives to accomplish its stated marketing objectives.

**Sponsorships and Community Participation** - Paid sponsorships and exhibitor opportunities offer the Centers visibility and can often present significant exposure well beyond the paid cost of the opportunity. Sponsorships will be specifically targeted at venues where cannabis use is already widely accepted and/or where the need for medical cannabis is great.

**Industry Activism** - Additional participation includes formal activism, which helps promote the Centers in industry circles as well as forwards medical cannabis as a legal, safe alternative form of treatment. Examples of this include:

- MAPAC - Massachusetts Patient Advocacy Coalition. A high priority will be placed on supporting this group, which is at the fore of work to bring about compassionate relief for Massachusetts residents in need.
- ASA - Americans for Safe Access, a patients' rights advocacy group
- NORMAL - National Organization for the Reform of Marijuana Laws
- DPA - Drug Policy Alliance
- LEAP - Law Enforcement Against Prohibition
- MPP- Marijuana Policy Project, a political lobbying group
- SSDP - Students for Sensible Drug Policy
- MCSC - Medical Cannabis Safety Council

**Public Relations** - Managed coverage in local media is another way the Centers will work to increase awareness and positive information about its services. Periodic press releases will be furnished to local press, including the Massachusetts newspapers, community newsletters, hospice and patient bulletin boards to highlight the dispensary's progress and work in the community.

**Member Marketing** - The Centers will actively work to increase membership as well as encourage member loyalty and purchasing behavior by marketing to our member base. Because of the relationship between the Centers and patients, marketing must be permission-based and low-key. However, tasteful communications to members that educate and gently promote are not inappropriate providing they respect privacy and do not violate any laws. Messaging will include on-site promotional material, such as signage, flyers, newsletters, etc. as well as occasional emailed communications to members who have specifically opted in.

**Viral Marketing** - Satisfied members can be the most effective means to promote the Centers, particularly with its strong brand. Therefore, additional effort will be directed at better leveraging its patient population to evangelize on the Centers behalf. The Centers will develop a formal referral program that encourages current members to pass on information to a friend. This is particularly important, given that "friend" is the most common answer reported on new patient intake forms when patients are asked to indicate how they heard about a dispensary.

**Alliances** - Alliances represent a substantial opportunity for the Centers to increase awareness and enjoy a stream of referrals. Not only is there little cost associated with alliances, but a strong alliance-building program will continue to produce over time. The Centers plans to establish strong alliances with various hospices and patient service groups that receive free medical cannabis from its founders.

In addition to expanding these alliance networks, the Centers is developing a strategy to reach out to a variety of organizations and health providers who are in contact with prospective patients. Examples include physicians, chiropractors, cancer support groups, AIDS organizations, senior centers, etc. A key part of this initiative will be educating alliance partners on the benefits, legalities and processes involved with referring people for medical cannabis use. The time is particularly ideal now that federal pressure on the industry is easing.

## 5.2.6 Sales Strategy

As a service-based organization focused on patient wellness, our approach to sales must clearly reflect that orientation. Accordingly, sales will be highly consultative and focused on patient care—not retail product selling in the traditional sense. A strong emphasis will be placed on customer service and product knowledge to ensure that patients are provided with accurate, useful information.

This is critical, since doctors do not recommend the type or form of cannabis to patients—only that they are approved for its medicinal use. Therefore, our staff will be highly trained, on a continuing basis, to advise patients on the types of medicine and how to choose appropriately to meet their needs.

At the same time, the dispensary must also operate efficiently in order to remain financially viable and deliver on its long-term mission. Therefore, the dispensary will provide ongoing training to its staff to ensure that they are properly prepared to provide excellent service and do so with expediency. The Center will monitor their performance by tracking transaction data for sales staff and occasionally deploying “mystery shoppers.”

Individual feedback, coupled with regular department meetings, will be used as training opportunities to continually improve sales staff capabilities.

## 5.3 Operations

### 5.3.1 Operations Manual

The Centers has adopted a comprehensive operations manual to guide virtually every aspect of daily operations for each department (available for review upon request). The manual, totaling over 370 pages of policy and detailed procedures, provide an excellent basis for training and address a wide variety of topics, including:

- **Processing and Storage** - how medicine will be handled, acquired, and stored safely, and by whom.
- **Information Technology** - covers the Centers main data system and electronic information systems, access, security, back-up procedures, etc.

- **Dispensing Procedures** - step-by-step guidance for providing quality service and dispensing medicine to patients.
- **Bookkeeping and Banking** - covers cash handling, accounting and banking procedures.
- **Security** - spells out how the Centers will maintain a safe environment to protect patients and employees, both inside the Centers and in adjacent areas (e.g. parking lot). See additional detail under Section 5.3.3.
- **Emergency Procedures** - provides specific protocols in case of medical, police or other emergencies to ensure rapid response involving the appropriate personnel and/or outside authorities.

### 5.3.2 Cultivation

Cannabis will be grown utilizing multiple disciplines, including organic hydroponics and soil-grown, flood and drain tables, nutrient film technique, aeroponics and other techniques. The facility will maintain a variety of strains of cannabis, to be dispensed in access to the cultivation area.

The facility will be a “closed” system, with strict environmental control. Ambient air temperature and relative humidity (RH%) will be monitored in “real time”, and regulated accordingly. Carbon dioxide (CO<sub>2</sub>) enrichment will be employed to aid in photosynthesis to maximize plant yield and efficiency. Indoor air quality will be monitored in real time as well, and HEPA filtration will be employed throughout the structure to maintain a mold free environment for the safety of staff and the health of the plants.

The facility will employ negative air pressurization to eliminate air exchange from the cultivation area to the dispensary. All exhausted air will be emitted from the building after undergoing carbon (charcoal) filtration and ozone treatment for the neutralization of odor (volatile organic compounds). This level of environmental and biological control will ensure the medicine cultivated will be of the highest level of purity possible.

The water used for cultivation will be purified via reverse osmosis (RO), providing the plants with a pure base for the nutrient solution necessary for photosynthesis. Only the highest quality fertilizers will be used in the facility with an emphasis on organic fertilization. Lighting will be supplied in the forms of T-5 fluorescent, high-intensity metal halide, high-pressure sodium and LED in appropriate phases of the plants' life cycle.

The cultivation facility will be light tight, with no visibility from outside the building. As previously noted, exhausted air will be treated by carbon scrubbing and ozone generation to ensure no “tell-tale” odors are emitted to the outside. All windows will be blacked out, making the contents and activities inside not visible to patients in the dispensary, or persons outside of the building.

### 5.3.3 Site Security

Private and Confidential

### 5.3.4 Information Security

Private and Confidential

## **5.4 Location / Facility**

### **5.4.1 Site Selection**

Work in Progress

### **5.4.2 Site Design**

Work in Progress

### **5.4.3 Site Build Out**

Work in Progress

### **5.4.4 Site Financing**

Loan from C D Services of America, LLC

## **6.0 Management and Organization**

### **6.1 Executive Team**

Jayne Vining, Founder and CEO

L. R. Vining, J.D., COO

Neil O. King, CFO

### **6.2 Board of Directors**

The Centers is governed by a five person board, chaired by **Jayne Vining**.

Additional members include:

Anna T Burns

Kathy Cantone

Howard Perkins

Neil O. King

### **6.3 Professional Support Team**

One of the dispensary's key assets is the strength of the team it has recruited to provide expertise, advice and services to the Centers as it makes important decisions about every aspect of operation.

Robert Cronin	Security
Richard Bonanno	Cultivation
Innocent Lugumamu	Plant and Facilities
Dr. Bargar	Medical Director and Lead Scientist

## 6.4 Personnel Plan

### 6.4.1 General Philosophy

Because of its patient-focused mission, the Centers will maintain a high staff-to-patient ratio in order to provide a consistent level of quality service. As patient numbers increase, the Centers will adjust staffing to maintain this capability.

The Centers has adopted a comprehensive staffing plan to guide recruitment, hiring, training and managing its employees. Highlights of the plan feature:

- Precise definition of responsibilities
- Clearly understood chains of authority
- Well paid, well qualified, well trained personnel
- High patient/staff ratio
- Professional recruiting practices
- Thorough training of new hires

### 6.4.2 Employee Handbook

A comprehensive 33-page handbook provides information to guide employees' behavior and relationship with the Centers (available for review upon request). The manual, which is furnished to all employees upon being hired, addresses:

Section 1: The Way We Work

Section 2: Your Pay and Progress

Section 3: Time Away From Work and Other Benefits

Section 4: On the Job (covers various aspects of conduct policy and procedures)

Section 5: Safety in the Workplace

### 6.4.3 Organization

The following shows how the Centers current management structure is organized.

Board of Directors

Executive Director

General Manager

Cultivation Mgr. Members Ser. Mgr. Sales Mgr. Inventory Mgr. Safety Mgr.

Facilities Mgr. Medical Director

#### **6.4.4 Recruitment**

The Centers recruiting efforts will be primarily directed at candidates with the following qualifications:

- Health-related educational/professional backgrounds
- Interest and aptitude for the healing arts
- Spotless criminal records
- Experience in restricted access retail venues

#### **6.4.5 Training**

Qualified candidates will be hired on a three-month probationary status. During this period, they will participate in a rigorous training process, and be evaluated for suitability in a restricted-access medical environment. Training will include the employee handbook, other reading materials, and lectures by qualified professionals, hands-on training and quizzes. The program will consist of the following modules:

**Legal-** Legal training will cover all Massachusetts State and Federal laws relating to marijuana, and especially those related to medical cannabis. Legal obligations of licensed cannabis dispensaries will be emphasized. Other topics will include the rules and regulations of the dispensary, sexual harassment training, effective interaction with law enforcement personnel, and the rights and responsibilities of medical cannabis patients. Legal training will include at least one two-hour session with an attorney who is a practicing member of the state bar.

**Medical-** Medical training will include disabled rights and sensitivity, how to identify and interact with a patient having a medical emergency, the proper uses and benefits of medical cannabis, and an introduction to the other medical treatments offered by the CAS Foundation's Centers.

**Sales-** As noted under Sales Strategy, staff will be trained in patient care—not retail sales. The focus will be on assisting patients in making appropriate decisions about how to choose the type of medicine which is right for them. Staff will be provided with ongoing training in product information as well as general service philosophy.

**Safety-** In addition to its focus on safety, security training will include acceptable currency identification and counterfeit detection, warning signs of possible diversion to the illegal

market, lock and alarm procedures, perimeter and entrance control, robbery response techniques, conflict resolution techniques and diversion detection techniques.

## 6.4.6 Personnel

The Centers plans to employ 44 full-time equivalent employees, in the first full year of operations, to staff the Centers. Individual job descriptions have been developed for each position in the Centers organization. The purpose is to ensure that all personnel are clear about their role and responsibilities, and understand how their position contributes to the safe, efficient operation of the Centers.

Management positions include the following:

- **Executive Director** - Oversee the entire dispensary operation and ensure that the Centers successfully delivers on its mission and business objectives.
- **General Manager** - Organize and supervise day-to-day operations.
- **Inventory Manager** - Supervise the safe processing, retail packaging, acquisition, and inventory of new supplies of medicine.
- **Sales Manager** - Oversee retail package handling, display, dispensing and proper storage of medicine.
- **Safety Manager** - Monitor all areas of operations to ensure the safety of patients, staff, and neighbors; and compliance with all laws and regulations.
- **Member Services Manager** - Oversee the provision of all services related to member wellness and education, ensure that the dispensary maintains regulatory compliance and provide for effective patient advocacy procedures.
- **Facilities Manager** - Responsible for maintaining the image and functionality of the dispensary facility, approving all aesthetic changes to the dispensary (e.g. signage) and ensuring that all departments remain well supplied at all times.

## 7.0 Financial Plan

### 7.1 Important Assumptions

Key assumptions used include the following: (Based on Colorado 2014) (Medical Sales of \$380,000,000.00)

- Patients will purchase \$3,000.00 of medicine per year. The average purchase will be approximately \$250.00.
- The Centers will begin with an average of 600 patients per RMD in July, 2016, grow to 1,200 patients in 2017, and 2,000 in 2018.
- Forecasted financials are based primarily on the State's estimates of the Massachusetts patient population. Should actual demand be greater than this

anticipated level, the Centers will be able to scale up operations to meet increased volume.

- Numbers on the proceeding pages are based on 3 RMDs (Centers) and 1 Cultivation Center.

## **7.2 Projected Income Statement Years 1-3**

Private and Confidential

## **7.3 Personnel Expense 1<sup>st</sup> 6 Month and Years 1-2**

Private and Confidential

## 8.0 Comparisons

### 8.1 MA vs. CO - 2011

## Massachusetts vs. Colorado Medical Marijuana Sales Only (2011)

	<u>Massachusetts</u>	<u>Colorado</u>
Populations:	6,646,144	5,187,582
Patients:	136,246 (estimated) (2.05%)	106,817 (actual) (2.05%)
# of Dispensaries	70 (estimated)	675
# of Patients per	1947 (estimated)	158
Gross Revenue	\$281,000,000 (estimated)	\$220,000,000.00 (actual)
Revenue per patient	\$2060	\$2060 (\$220,000,000 / 106,817)
Revenue per dispensary	\$4,014,286 (est.) (\$281,000,000 / 70)	\$325,500 (\$220,000,000 / 675)

### Colorado Medical Marijuana Dispensary Retail Sales and State Sales Tax by County FY 2011-12 July 1, 2011 - June 30, 2012

County	Retail Sales	State Sales Tax
Adams	\$ 1,297,036	\$ 36,781
Arapahoe	8,293,951	232,864
Boulder	26,484,871	724,560
Chaffee	1,038,259	29,331
Clear Creek	1,259,510	35,581
Denver	96,673,823	2,640,665
Eagle	1,652,000	43,382
El Paso	36,498,967	974,107
Fremont	1,579,946	44,442
Garfield	3,763,129	104,113
Gilpin	336,607	9,390
Gunnison	403,049	11,429
Jefferson	11,144,343	304,712
La Plata	3,960,855	111,409
Larimer	6,299,728	173,772
Montezuma	1,216,472	34,484
Park	699,754	19,540
Pitkin	1,420,290	40,205
Pueblo	2,072,764	56,436
Routt	2,649,282	75,118
San Miguel	555,472	15,753
Summit	2,061,347	58,288
Weld	3,423,676	81,928
Remainder of State*	4,535,798	124,660
<b>Total</b>	<b>\$ 219,320,929</b>	<b>\$ 5,982,950</b>

Statistics of the registry include:

- 223,693 new patient applications have been received to date since the registry began operating in June 2001. The total number of patients who currently possess valid Registry ID cards is **106,817**.
- Sixty-seven percent of approved applicants are male.
- The average age of all patients is 42. Currently thirty-nine patients are minors (under the age of 18).
- Fifty-nine percent of patients reside in the Denver-metro area (Adams, Arapahoe, Boulder, Broomfield, Denver, Douglas & Jefferson counties), with the remainder of patients residing in counties throughout Colorado.
- Patients on the registry represent all the debilitating conditions covered under Amendment 20. Severe pain accounts for 94 percent of all reported conditions; muscle spasms account for the second-most reported condition at 15 percent. Note that percentages do not add up to 100 percent because some patients have more than one condition.
- Fifty-eight percent of patients have designated a primary care-giver (someone who has significant responsibility for managing the care of a patient with a debilitating medical condition) or a medical marijuana care center.
- More than 800 different physicians have signed for current patients in Colorado.

<http://www.colorado.gov/cs/Satellite/Revenue-Main/XRM/1251633259746>

## 8.2 MA vs. CO - 2014

### Colorado marijuana sales hit \$700 million for 2014

By Ricardo Baca, *The Cannabist Staff*

If we're rounding up, Colorado sold a cool \$700 million of marijuana in 2014, a.k.a. the first full year of recreational pot sales in the modern world.

For those who like exact numbers, the state's total sales tallies for medical and recreational cannabis added up to \$699,198,805, according to Cannabist calculations based on new data from the Colorado Department of Revenue.

Broken down, that's **\$385.9 million for medical marijuana** and \$313.2 million for recreational cannabis.....

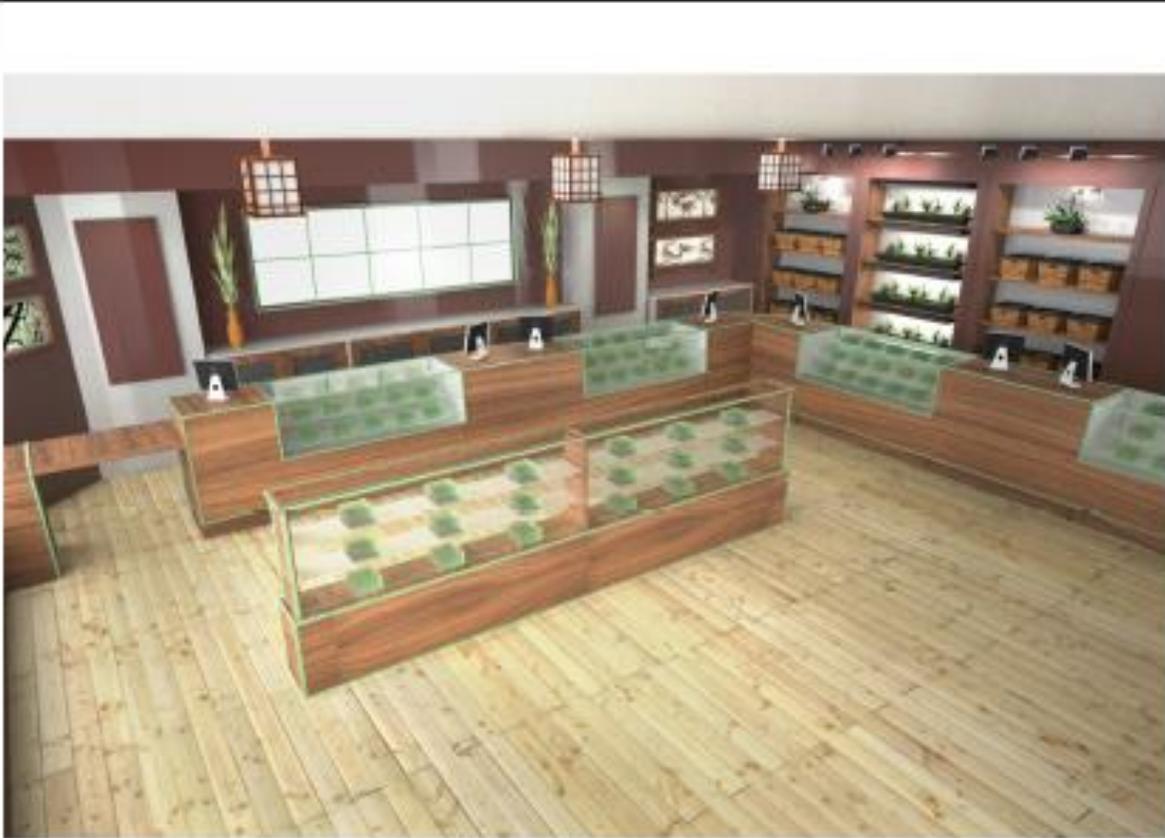
<http://www.thecannabist.co/2015/02/12/colorado-marijuana-sales-2014-700-million/27565/>

### Massachusetts vs. Colorado Medical Marijuana Sales Only (2014)

	<u>Massachusetts</u>	<u>Colorado</u>
Populations:	6,646,144	5,187,582
Patients:	136,246 (estimated) (2.05%)	106,817 (actual) (2.05%)
# of Dispensaries	70 (estimated)	675
# of Patients per	1947 (estimated)	158
Gross Revenue	\$492,393,044 (estimated)	\$386,000,000.00 (actual)
Revenue per patient	\$3614	\$3614 (\$386,000,000 / 106,817)
Revenue per dispensary	<b>\$7,034,186</b> (est.) (\$492,393,044 / 70)	\$571,852 (\$386,000,000 / 675)
Revenue per dispensary	<b>\$4,923,930</b> (est.) (\$492,393,044 / 100)	\$571,852 (\$386,000,000 / 675)

**9.0 Pictorial - For Illustration Purposes**

**9.1 RMD Center – Stocked**



**PROPOSED DISPENSARY  
BIRD'S-EYE VIEW  
CONCEPTUAL RENDERING**



**PROPOSED DISPENSARY  
COUNTER CLOSE-UP  
CONCEPTUAL RENDERING**

9.2 RMD Center – People



RECEPTION  
CONCEPTUAL RENDERING



HEALING SPACE  
CONCEPTUAL RENDERING

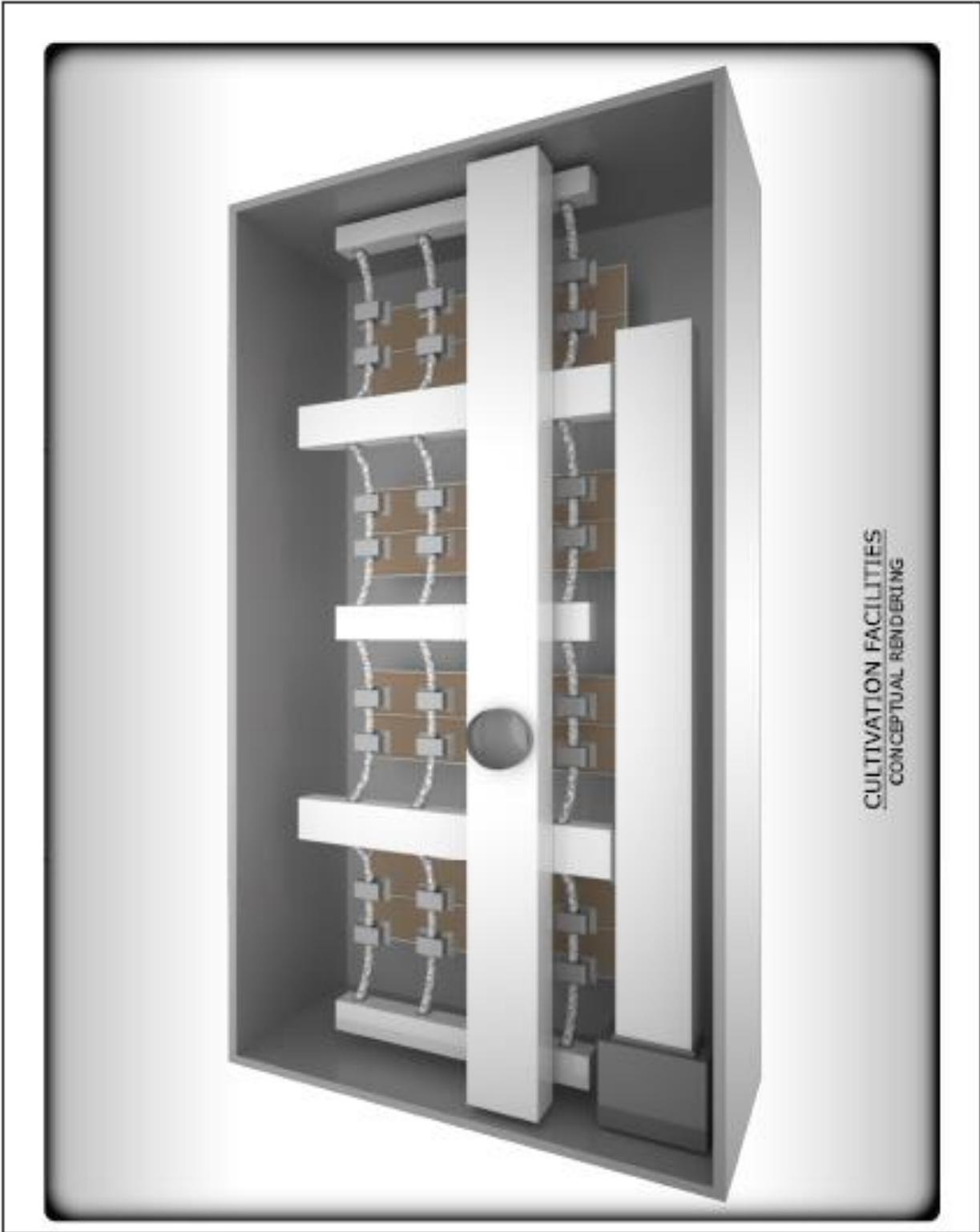


DISPENSARY FLOOR  
CONCEPTUAL RENDERING

**9.3 RMD Center – Elevated View**



**9.4 Grow center – Elevated View**



**9.5 Grow Center - Lights & Vents**



VIEW AT DUCTS  
CONCEPTUAL RENDERING



VIEW AT LAMPS  
CONCEPTUAL RENDERING



CULTIVATION ROOM  
CONCEPTUAL RENDERING