



Project MedCann LLC

Business Plan EXECUTIVE SUMMARY

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Mission Statement – Project MedCann has only TWO objectives:

- Provide an impressive return on investment (ROI) for investors
- Provide operational funding for a particular 501c(3) nonprofit healing center

1.0 Executive Summary

Medicinal cannabis is an extremely fast-growing market. On a national level, the market for legal recreational and medical marijuana is projected to more than triple in the next few years, reaching nearly \$22 billion by 2020, according to industry analyst ArcView Research. In New Mexico, recent legal changes have greatly expanded the market potential, and sales will reach nearly \$90 million in 2017, up from just over \$50 million in 2016. Between now and 2020, IBISWorld estimates that the number of firms and revenue in this industry “will increase significantly,” growing at over 24% annually. In New Mexico, patient growth increased by 54% in just the first half of 2017 and continued strong growth is expected as the market matures.

Medicinal cannabis is already bigger than the entire craft beer market in the state, and with full legalization expected in the coming years, the future is bright. However, the market is currently plagued with unproductive and underfunded cultivation facilities that cannot meet demand, and as the market grows, professional operations are increasingly needed.

Project MedCann, LLC (“the Company”) will enter the New Mexico medicinal marijuana market by developing the framework for a large and expandable industrial-level production facility to help supply dispensaries with enough product to meet current demand while being able to scale to meet future demand in the state. Currently, the top five producers in New Mexico average more than \$4M in gross revenue annually and net more than \$1M (average 23% net profit for their management LLCs), and the top producer has only a 10% market share. This plan discusses how we intend to meet or exceed these metrics.

Project MedCann is managed by the Poston Investment Collective LLC, a core group of highly experienced business development and real estate professionals, and the Board of Advisors will include experienced cannabis operators, growers, patients, medical professionals, and political/marketing/legal consultants. Project MedCann’s strategy is to acquire existing cultivation licenses – profitable and underperforming – and to provide funding for new promising startups. Each licensee’s current production will be maximized while also centralizing production with state-of-the-art indoor and outdoor growing facilities.

The managers of Project MedCann envision a “cannabis campus” with extensive indoor and outdoor growing facilities, including warehouse space, with multiple growing and processing modules, configured to efficiently operate with low labor input, using the most effective growing systems in a technologically advanced and controlled environment. The “cannabis campus” will include facilities to process cannabis oil concentrate and infused products. Project MedCann has already received interest from New Mexico license holders who are interested in being acquired, both new and fully functional profitable operations.

Project MedCann intends to initially consolidate just a few licensees and streamline their operations as well as fund promising startups that can take advantage of the brand new facilities and a strong business development system. The Company intends to become a growing, profitable business in New Mexico’s emerging medical marijuana market and be well positioned for substantial growth when full legalization of recreational cannabis occurs as expected in 2-3 years.

Project MedCann will also engage in aggressive R&D activities to work with biopharmaceutical companies and research organizations in developing cannabis-derived alternative medicines. This is expected to be the next BIG phase of pharma development; for example, a cannabis-based drug for chronic pain could be “a \$10 billion drug, minimum,” according to industry researchers. Project MedCann will work with collaborators looking to get in on the ground floor of IP development that could eventually create multiple formulations attractive to Big Pharma.

The investment firm that manages Project MedCann LLC is the three-year-old Poston Investment Collective LLC, led by Jeff Poston. Jeff is a real estate investment syndicator with a background in program management and engineering. He is also a former Air Force officer. Jeff’s management team includes the following professionals:

- Roger Austin, business development
- Mo Hossain, project management
- Kestrel Andrus, executive business coach
- Everette Hill, strategic planning and nonprofit development
- Operations managers for a successful cannabis producers
- Former dispensary managers
- Multiple cannabis doctors, nurses, and patients

1.1 Exit Strategy

MedCann’s five-year plan is to create a business model in New Mexico that can be expanded in-state and replicated in multiple states as cannabis becomes legal nationwide. Project MedCann is currently seeking funding of \$10MM, which will be used to acquire multiple growing licenses and to streamline existing grow operations, consolidating the various businesses into a single vertically integrated entity that can attract corporate, institutional, and biopharmaceutical buyers in five years.

1.2 Five-Year Objectives

- ❖ Acquire multiple licenses and utilize their existing facilities while proceeding with the next steps
- ❖ Identify and purchase suitable real estate for the “cannabis campus” and get approved by the state Department of Health
- ❖ Establish a fully licensed growing and cultivation facility for the production of medicinal and recreational marijuana (and ancillary products)
- ❖ Create an expansive indoor space and prepare outdoor fields for production
- ❖ Promote our brand that includes various licensees’ lines of high-quality products
- ❖ Become branded as the premier cannabis collective in New Mexico
- ❖ Expand into multiple states as the industry grows
- ❖ *Use cannabis business as the financial engine for the nonprofit healing center*
- ❖ *Provide impressive ROI for investors*
- ❖ *Exit through acquisition in five years*

1.3 MedCann Keys to Success

- ❖ Having an expansive vertically integrated production facility that incorporates multiple business methodologies in one location
- ❖ Branding Project MedCann as an innovative, early-to-market cannabis campus in New Mexico
- ❖ Hiring experienced cultivation professionals and consultants to effectively transition existing grow operations to the Project MedCann campus and business vision
- ❖ Producing pharmaceutical-grade products that are useful and effective for patients suffering from cancer, HIV/AIDS, multiple sclerosis, and chronic pain, and other illnesses, as well as for the future legal recreational market
- ❖ Driving the industry and market forward with state-of-the-art technology and innovation, with a unique and professional business syndication model

1.4 Investor Return & Financial Overview

The Investor Return section details the investor(s) initial investment, investment multiple, investment fifth year value, investor(s) share of the Company, and the value of the Company in the fifth year.

Investor Return					
	Investment	Years Invested	Investment Multiple	5th Year Value	Company Share
Year 1	\$10,000,000	5	2.5	\$25,000,000	19.3%
Year 2	\$9,000,000	4	2.0	\$18,000,000	13.9%
Year 3	\$5,000,000	3	1.5	\$7,500,000	5.8%
Total	\$24,000,000		2.1	\$50,500,000	39.1%
5th Year Company Earnings		5th Year Multiple		5th Year Company Value	
Company	\$16,150,617		8.0		\$129,204,935

Financial Overview					
	Year 1	Year 2	Year 3	Year 4	Year 5
Gross Revenue	\$6,390,000	\$16,510,000	\$28,550,000	\$42,510,000	\$58,390,000
Gross Profit	\$1,917,000	\$5,299,710	\$9,746,114	\$15,351,590	\$22,205,427
Operating Profit	\$903,400	\$3,982,852	\$8,201,926	\$13,567,657	\$20,194,521
Earning Before Interest & Taxes	\$899,650	\$3,976,602	\$8,195,676	\$13,561,407	\$20,188,271
Earnings	\$740,985	\$3,181,282	\$6,556,541	\$10,849,126	\$16,150,617
Gross Profit Percentage	30.0%	32.1%	34.1%	36.1%	38.0%
Operating Profit Percentage	14.1%	24.1%	28.7%	31.9%	34.6%
EBIT Percentage	14.1%	24.1%	28.7%	31.9%	34.6%
Earnings Percentage	11.6%	19.3%	23.0%	25.5%	27.7%
Net Cash Flow	\$744,735	\$2,167,532	\$1,562,791	\$855,376	\$6,156,867
Cash Balance	\$799,735	\$2,967,267	\$4,530,057	\$5,385,433	\$11,542,300

- ❖ **Seed round investors (\$300K +/-)** will receive 100% ROI as compensation for their risk, paid at Year 1 (or receipt of Series A funds, whichever occurs later) with an option to remain invested for the full five years and receive a 5x return of equity at Year 5 exit.
- ❖ **Series A investors (\$10MM)** will receive a preferred 5% ROI paid quarterly, beginning in Year 2. In addition, they will accrue 23% ROI annually (beginning in Year 1), giving an estimated 3.0x equity multiple at Year 5 exit. Series A has a 5-year investment term.

Supplemental Update Oct 4: NM has now legalized the growing and cultivating of hemp plants as of Sept 28, 2017. Specific terms TBD. This commodity will be an excellent risk mitigation strategy as an additional cash crop for our outdoor farms.