

BUSINESS AND MARKETING PLAN

**Washington State
Cannabis Producer & Processor**



Address
Phone
Email
Website

Table of Contents

Cannabis Market Considerations.....	3 - 6
<ul style="list-style-type: none"> • Washington Cannabis Market • Current Pricing • Strain Considerations • Competition 	
Marketing Sales, & Strategy.....	7 - 14
<ul style="list-style-type: none"> • Visual Marketing Plan • Target Market • Price Structure • Sales Approach • Networking • New Product Development and Release 	
Lease and Facility.....	15 - 16
<ul style="list-style-type: none"> • Property Location • Key Lease Terms • Expansion Potential 	
Facility Operating Plan.....	17 - 24
<ul style="list-style-type: none"> • Cultivation Layout • Cultivation Plan • Security Measures • Basic Facility Compliance Measures • Packaging and Labeling Procedures • State Testing • Waste Disposal 	
Finance.....	25 - 27
<ul style="list-style-type: none"> • Set-up Costs • General Licensing and Insurance Fees • Monthly Costs • Estimated Profit & Loss 	

Cannabis Market Considerations

Washington Cannabis Market

The Washington cannabis market is broken into three sectors of operation: 1) producer 2) processor and 3) retailer. A producer license allows the licensee to produce, harvest, trim, dry, cure and package cannabis into lots for wholesale. There are three tiers of production allowed which limits the canopy space allowed for a producer:

- Tier 1: 2,000 square feet of cannabis canopy, or less.
- Tier 2: 2,000 - 10,000 square feet of cannabis canopy.
- Tier 3: 10,000 - 30,000 square feet of canopy.

A processor license allows the licensee to package cannabis flower, make cannabis concentrates, and make cannabis infused products to sell to retailers. WAC 314-55-077. A retail licensee allows the licensee to sell cannabis and cannabis products to those over 21 years of age. WAC 314-55-055.

In Washington, an entity may hold a producer license and a processor license at the same time. However, an entity that operates as a producer or processor may not be vertically integrated with a retail license.

The Washington cannabis market is growing rapidly. Below are the total producer/processor sales to date, according to <https://502data.com/>.

	2014	2015	2016	2017	Total
Processor Sales	\$16m	\$148m	\$362m	\$493m	\$1,019m
Producer Sales	\$3m	\$15m	\$51m	\$67m	\$135m

As a producer and processor of cannabis, there is a very wide range of products that a company can choose to offer. It is estimated that the Washington market share of flower and joints/blunts is around 55%.

Blunt Royale, LLC., holds a Tier 2 producer license, and a processor license in Washington. We are solely family owned and self-funded. Blunt Royale has chosen to focus on high-end flower, joints, and infused blunt sales. Be the king of the party with Blunt Royale.

Current Pricing

Paying attention to current pricing is essential. Outdoor cannabis sells for considerably less than indoor cannabis. The costs of producing outdoor cannabis is considerably

less than indoor cannabis. The production price difference is noticeable in quality. Currently, outdoor cannabis wholesales for around \$0.50/gram. Indoor cannabis currently wholesales from \$1.50 - \$5.50/gram. There is considerable difference in the indoor pricing which seems to be dependent on strain genetics, growing medium, and brand awareness.

The joint and blunt pricing also has a wide spectrum of pricing. Basic joints wholesale for as little as \$1, and specialty infused items can wholesale for \$35.

Strain Considerations

Strain variance plays a dynamic role in the market. Consumers have a general awareness of strains, but consumers largely depend on budtenders to guide them through the hundreds of strains found on the shelves.



Keeping strains current is key in the Washington market. Having a variety of indica, sativa, and hybrid strains is essential. People like to smoke different strains depending on their mood. In order to develop brand loyalty offering the three main categories of cannabis is essential. Number of strains produced should vary with size of structure, canopy space allotted, and genetics that produce high-yielding and/or high-THC content in the flower. Having staple strains are essential to establish credibility, and new strains are essential to keep customers excited about our product.

Competition

There are many cannabis cultivation facilities and processing facilities around Washington. However, there are currently no new licenses being given out by the state. Current license holders are constantly coming out with new brands and products to keep things fresh. Currently, there is not a single operating grow facility in Washington that concentrates only on the blunt market. However, we anticipate this to be an evolving issue. We will keep our eyes on the following companies that currently produce infused joint products:

- Canna Street
- Kush Life Productions
- High Life LLC
- THC Family Farm

Marking Sales & Strategy

Visual Marketing Plan

Base logo, base font, and color scheme set the tone for Blunt Royale.

Base Logo



Base Font

**Blunt
Royale**

Color Scheme



The base logo will remain the same. It is edgy, easy to identify on a package, and can be adjusted based on new products and seasonal concerns. The appeal spans age and gender.

Font has a huge impact on the overall feel of a particular brand. Similar to a classic Old English font, the base font for Blunt Royale carries a tone of classic edge. Font on specific products can be adjusted based on size and ability to read, but the tone will remain the same.

Color scheme plays a key role in brand continuity. Blacks, deep reds, deep oranges, and deep yellow are the central foundation of our brand. By keeping these colors running through our brand the consumer picks up our package and maintains an overall feeling every time.

Target Market

Our target market follows in sync with our visual marketing plan. It is geared slightly towards a younger crowd, but the appeal should span two generations of those over 21 years old. Males specifically find deep colors more appealing, with a slight touch of edged wings and clear font that makes it cross gender boundaries.

We want someone who likes to smoke a joint, but loves to smoke something a little bit nicer. A smoker who likes the

rich flavor of flower grown indoors, grown in soil, and handcrafted to perfection.

We take the work out of smoking something a little bit nicer than a joint. When a consumer likes our infused blunts and wants something different, we have an array of flower that is rich in terpenes from soil cultivation, cured for three weeks, and hand trimmed. Below are some conversations we imagine to cover our target market of cannabis smokers:

- You smoke blunts but rolling them is time consuming? Hit us up, open and light!
- You don't know how to roll a blunt you know you like to smoke them? Yeah, that's all of us!
- You have never smoked a blunt? No problem, try it out easily for a reasonable price!
- You like to get pretty high, but don't want to dab? No problem, our products will have you soaring!
- You want something that you can put out and easily light again later? We got you, our wood tip makes that easy!
- You care about quality cannabis that you smoke? We got you there too! Indoor, soil-cultivated cannabis only.

Price Structure

Pricing is based on current store mark-ups, target market, and typical sale prices of infused pre-rolls. Industry

standard in Washington is to mark product up 3x from the wholesale price. Using margins to help motivate sales is key (see sales approach below). We have a suggested retail price of 3.2x wholesale price. Our pricing structure is built to catch the initial customer with a cheaper, quality product that will have the consumer coming back for the items that are even bigger & nicer!

Pricing:

Product	Wholesale	Retail
1g Infused Blunt	\$5	\$16
2g Infused Blunt	\$7	\$23
3g Infused Blunt	\$10	\$32
5 Infused Joint Pack	\$10	\$32
7 Infused Joint Pack	\$12	\$38
Woven (Specialty Item)	\$15	\$48
Flower/gram	\$4	\$13

This price structure allows for the consumer to try our products for under \$20. When the consumer returns to buy another product there are options with increased value, and increased margins for the store. As new products are developed and hit the market, these base prices set the tone for how they will be priced based on grams, level of infused products, and specialty items.

Sales Approach

Sales. Sales. Sales. It is one of the most important aspects of our brand development. Store turnover, obtaining new accounts, and cultivating relationships with current accounts are essential for success. We have broken down the basic sales approach below.

Potential Store

- Search and evaluate
- Call store and make contact
- Sample store with product
- Find out the name of the purchaser/buyer
- Follow up in one week with email (email every week current menu)
- Follow up in two weeks with phone call
- Follow up in-person in two weeks

New Store

- Deliver first order
- Have samples for budtenders with you on first order
- Introduce yourself to budtenders
 - Talk about how to follow us on social media
 - Talk about what sets us apart from competitors
 - Have visual aids/marketing materials with you
- Stop in every week during the first month
- Offer tours of our garden and special release items

Established account

- Email every week
- Stop into store at least once per month
- Set up vendor day
- Set up garden tour
- Offer special release

Sales expectations are set at the beginning of the year, and are *carefully* examined three times a year. Monthly sales meetings take place to evaluate strategy, current numbers, and progress towards sales goals. Sales people are the front line of our cultivation and brand development. They are out in the field gauging the market and where it is going. Goals are high, yet motivating. Salespeople are listened to, given large deference to what they think is happening in the market, and essential to new product development.

Networking

As an operating cultivation company, and a brand, we are constantly thinking about networking. Although other cultivators can be competition, teaming up with the right cultivators can be extremely beneficial. Cross-branding can get our product into a store. Meeting the right buyer can open up a store, or ten stores. Our brand is out and about to remind budtenders and consumers that we are relevant and continually present in consumers lives.

Industry events can be a convenient place to gather and meet people. Every year we attend three of the most relevant industry events. Currently, these events are Lemon Haze, Hemp Fest, and Canna Con.

Regular, in-person, store contact is key in networking. Industry turnover is high. We are constantly aware of who the current owners of a store are, who the current buyers are, and potential for turnover in key accounts. When in a store we introduce ourselves when we see someone new. Ask to speak to someone with buying authority, and make sure they know you have the authority to make a sale (or deal). Make eye contact, be personable, we help people legally enjoy the high life!

Vendor days are a good way to develop in-store relationships. It is an opportunity for the budtenders to hear our sales pitch over and over again. Pre-arrange a vendor day with a sale on products and/or special release. Don't hesitate to run a sale while in-store, it makes getting our products into the consumer's hand easier. Offer to absorb at least 50% of the sale difference. When a store sees how easy we are to work with, they like us. Set up vendor days at the store's convenience, but don't over expose yourself to sales, and the consumer who *only* likes a sale. Currently, hosting a vendor day about once every few months seems to be the sweet spot.

Garden tours are also a key aspect of networking. We host an open house once a year for stores and budtenders to come and look at our facility first hand. We blow it out. Live music, fully catered, and marketing apparel. On new accounts we offer to set up special garden tours. Our location is centrally located to I-5 and within 30 miles of Seattle. Getting people into our facility is easy and generates true garden and brand awareness.

New Product Development and Release

New product development and release keeps our brand fresh. The more people talk about our brand in general, the more consumers are likely to become loyal customers. To keep our base products moving, new products will be released every 3 - 6 months. New products may include simply a new strain, new infused method, or a launch of an entire new product line.

Our sales force reports on market trends and possible openings in the market on a monthly basis. This information is used to develop and test new strains and products on a continual basis. New products are then tested in one or two loyal stores and fully launched after positive reception.

Special, or limited releases, are also an effective strategy used to keep current stores engaged with our brand, and can be an effective selling tactic for a new store.

Facility and Lease

Property Location

Our location allows for easy access to retail outlets. It is thirty miles from Seattle, and within the urban metropolitan area of the Puget Sound with an estimated population of 3.8 million people. We are with 60 miles of over 100 retail stores. This makes it ideal for sampling, delivery of orders, and hosting garden tours.

The property is on industrial zoned land. The zoning is compliant with the requirements of the local cannabis board, and the location has reduced our chance of neighborhood complaints about facility operations (specifically smell). We have obtained a specific cannabis license to operate in that facility, with a cannabis endorsement on our business license. All of the buildout has proper permitting and approval from the city.

Power is provided by a nearby hydroelectric facility. This keeps the cost per watt low. Renewable power is also good for our environmentally conscious brand.

There is space on the property for compost, soil storage, and outside plant waste. Composting is used back in the garden, and reduces costs of waste disposal.

Key Lease Terms

Our carefully negotiated lease provides for essential components that will ensure long-term success. Some highlights of our lease include:

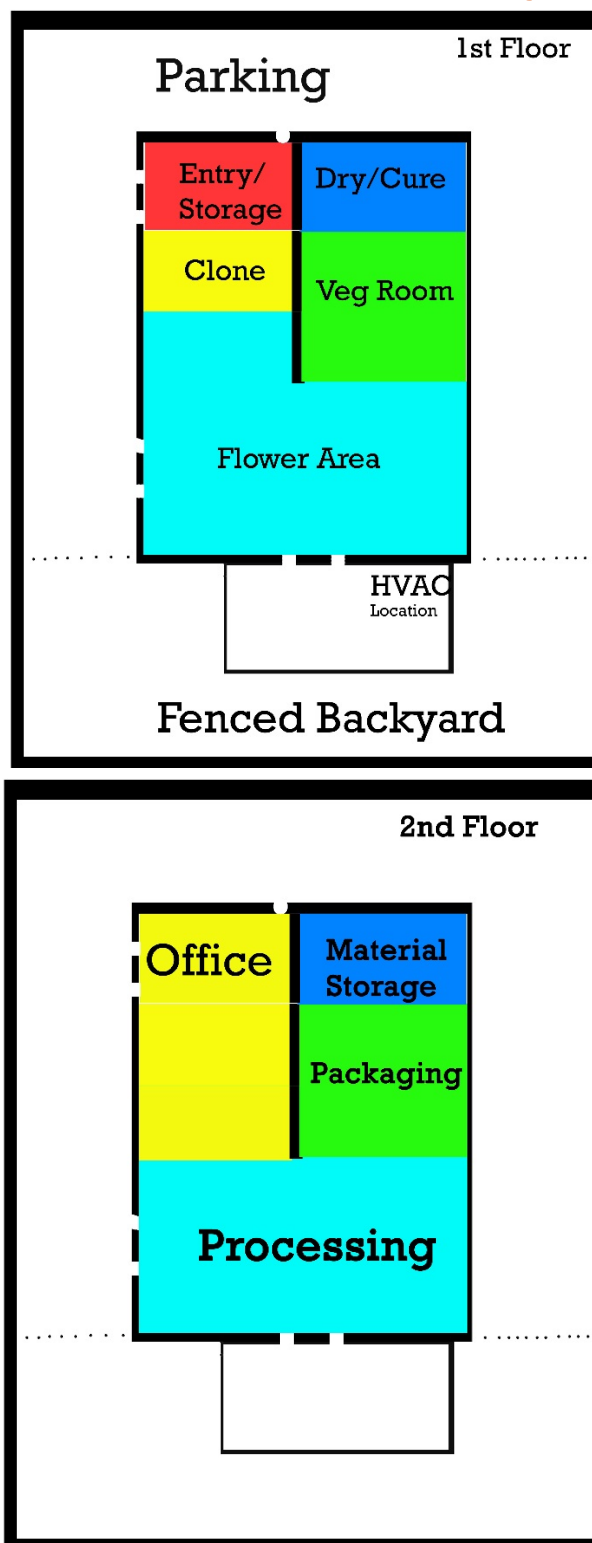
- Price per square foot at less than \$0.85
- Cost of yearly increase is low
- Landlord specific approval for growing cannabis
- Terms to terminate the lease if cannabis cultivation becomes illegal
- Full buildout consent
- Option to renew the lease after initial lease term
- Right of first refusal if an offer to purchase the building comes in from outside party
- Option to sublease part or all of building

Expansion Potential

In addition to having adequate indoor space to grow cannabis, there is outdoor growing potential. Our indoor grow potential should be reached within three years of coming to market. Once this occurs, growing outdoor will be ideal to reduce our production costs. There is a backyard area that is 5,000 square feet. Permitting and buildout of the backyard area will take about one year. Within five years of coming to market both our indoor and outdoor growing potential will be fully realized.

Facility Operating Plan

Cultivation Basic Layout



Cultivation Plan

We cultivate cannabis on a staggered harvest schedule. This ensures we are harvesting every few weeks. The product is small batch and fresh. Our cultivation plan is laid out over a six-month period. Calendars are kept of cloning periods, vegetative periods, and flowering periods. It is required that workers document everything that is done to rooms and plants on a centralized system.

Cultivation roles are clearly defined. There is a garden manager that is responsible for all garden operations and overseeing all garden help. There is regular garden help, and extra garden help based on harvest and trimming needs.

The approximate time from seed to harvest is 15 weeks. This time can vary based on strain and individual phenotype particularities. The following is a summary of the cultivation specifics involved in each phase of growing:

- (1) Seed germination/clone rooting
 - One room
 - 400 clones taken per week (from mother plants or aggressively growing plants)
 - Allow 2 weeks to root
 - 18 - 24 hours a day of light exposure

(2) Vegetation

- One room
- 1 - 2 weeks in vegetative growth before moving to flowering
- 18 - 24 hours a day of light exposure

(3) Flowering

- Four - six rooms for every one vegetative room
- Indica 8-9 weeks; Sativa 10-12 weeks - strain dependent
- 12-hour light exposure
- Soil-based grow
- Staggered harvest

(4) Processing

- Take down plants by hand
- Run through wet trimmer
- Weigh and move to dry room

(5) Drying

- Room where temperature and humidity are controlled
- Hang dry or dry on nets
- Dry for 2 -3 weeks, flipping halfway through
- Cure and store in bins or bags

At full-scale production, we will be harvesting 25 lb. every three weeks. We will supplement our growing operations as we scale with the purchase of outside product and wholesale prices.

Initial Strains:

- Bubba Kush
- Fruitcake Dreams
- Sunset Sherbet
- Thai Skunk
- Grape Ape
- Wedding Cake
- AK 47



Initial strain selection was thought out. Strains are a mixture of indica, sativa, and hybrid as the Washington market is largely driven by these classifications. All strains were grown through flower prior to coming to market and tested for smoke and potency by a state-certified laboratory. Our methods pass the potency and microbial screening required in Washington.

We also have a seed bank filled with thousands of seeds that cover the spectrum of strains. We will be constantly phenotype hunting to find the “newest” ideal smoke.

Security Measures

There are a variety of security measures in place. The first is signage. There is no sign indicating it is a cannabis production facility. There are signs posted outside the building warning others that the facility is under 24-hour

video surveillance. Signs also warn that guard dogs are present. Two large-breed dogs live at the facility.

There is a security alarm system. The system covers all entry and exit points, as well as windows. We also have motion detectors, pressure switches, duress, panic, and hold-up alarms present.

Once inside the building, there are 84 security cameras that cover every square inch of the facility. There are signs warning of 24-hour video surveillance throughout the facility. Video footage is stored on an external drive. There are 45 days of video footage saved at all times. Any person who works in the facility is informed of all these security measures in place.

There is an employee identification system that includes the individuals' full legal name and photograph.

Basic Facility Compliance Measures

Basic compliance with the local cannabis board is a primary concern. There are rules that cover every aspect of the business from seed to sale. All workers are taught that compliance is key. Essentials include:

- No person under 21 is permitted on the premise (valid ID required)
- No firearms
- Sign-in and sign-out required

- Visible name tag required at all times
- No product can leave the facility unless manifested through the state control system

Fire safety has been accounted for. The local fire department has inspected and we are fully compliant. We have also submitted an environmental awareness plan to the local EPA, as well as paid the required fee.

Packaging and Labeling Procedures

There will be at least one registered scale on the premises at all times. The scale and other measuring devices are subject RCW 19.94, and will meet the requirements of the most current version of WAC 16-662 and 16-664. We have registered the scale on the business license application through the department of revenue as required under RCW 19.94.

Packaging procedures are laid out clearly. Cannabis will be packaged in a sealed container. The sealed container will protect the product from contamination and will not impart any toxic or deleterious substances onto the cannabis. Sealed containers will not be opened during transport. Each product has a step-by-step instruction manual on how it is to be packaged. Summaries of these manuals are posted in the packaging room as a reminder of what is expected.

Anyone packaging must first be trained by an experienced packager. There is a checklist provided to the trainer that includes every step of packaging every product. It is important to have product consistency. The same procedure must be done each and every time to ensure the end product is the same. Before a person can package on their own, they must successfully produce a final product that passes an inspection. Speed is always a concern, and speed expectations are set and posted. There are also incentivized speed races.

Labeling requirements are set forth by the state. What goes on the state required sticker is clearly laid out in the Washington Administrative Code, as well as what is allowed to be present on our branding label. Our branding is fully compliant with the local cannabis board. However, these rules are constantly being adjusted and we are constantly evolving the labels for compliance. It is important that all packaging we use is large enough to accommodate both the state-required sticker and our branding stickers.

During transport, cannabis products will be in a locked storage compartment that is secured to the inside of the vehicle transporting the cannabis products. A complete transport manifest containing all information required by the board will be kept with the product at all times.

State Testing

All cannabis products for retail sale must be tested by a state-licensed testing facility. Our property location is within 5 miles of a state testing facility which allows for convenient drop-off and pick-up.

Some testing facilities are more reputable than others. Stores often ask what testing facility is used for testing to judge the overall results that they are getting from you. The nearby testing facility is one of the more reputable facilities in Washington.

Waste Disposal

Solid and liquid waste will be stored in a secured place on the property. We provide the board a minimum of seventy-two hours' notice in the traceability system described in WAC 314-55-083 (4) prior to rendering the product unusable and disposing of it.

Usable cannabis waste will be composted in the backyard area. Most trim and excesses plant material will be used to compost the soil beds. Unusable cannabis waste will be ground and incorporated with other non-compostable ground materials so the resulting mixture is at least fifty percent non-cannabis waste by volume. The mixture will be placed in a dumpster on the premises and disposed of by waste management.

Finance

Set-up Costs

General set-up costs are approximate and include:

- Signing of lease - \$37,000
- Pulling in of appropriate power - \$26,000
- Application for buildout permits - \$850
- Engineered plans for buildout - \$6,500
- Lease payments on 4 - 6 months during buildout - \$28,000
- Materials used for buildout - \$32,000
- HVAC system - \$40,000
- Materials for grow operation (lights, soil, nutrients, shelving units, etc.) - \$56,000
- Office supplies including computer, specialized zebra printer, and label scanners - \$2,200

Total set-up costs approximately \$228,550

General Licensing and Insurance Fees

General licensing and insurance fees are accounted for on a yearly basis. In accordance with the local cannabis board we must maintain a general and product liability policy of \$1,000,000.

The following is a list of the annual fees our cultivation business is subject to:

- Producer license
- Processor license
- LLC license
- EPA operation fee
- Insurance
- Compliance system

These fees vary slightly yearly. In total, they account for around \$12,500/year in operation fees.

Monthly Costs

Monthly expenses for operation of the facility:

- Lease - \$6,200
- Power - \$4,500
- Water/Sewage/Garbage - \$100
- Internet - \$75
- Website fees/SEO - \$150
- Phone - \$120
- Security - \$85
- Soil and nutrient replacement - \$900
- Light replacement - \$600
- Packaging - \$1,200
- Marketing - \$2,500
- Other materials - \$500
- Garden Labor - \$6,500
- Packaging Labor - \$7,000
- Sales Labor - \$4,500
- Accounting/payroll fees - \$275

These are base operation costs that account for doing \$175,000/year of base sales. Some of these costs are fixed, however labor, packaging, and marketing will increase exponentially as sales increase.

Estimated Profit & Loss

First year at full-scale production and sales we should gross \$375,000 with a 25% margin. Year two we should see a 15% growth and year three, an additional 20% growth.