



Canapas Business Plan Investor Proposal

DRAFT

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Proposed Name

Canapas is a proposed name to use for our Brand. Of course we can also choose other Brands. Where does “Canapa” come from, and why use it? Canapa is Italian for Cannabis. So Canapas is technically the plural form of the Italian word. Try saying Canapas ten times fast and you will see what happens. This is an excellent Brand name for a high class Cigar. It has the green marijuana foundation and the tinge of Latin used in many high class popular cigars like Habanos. Also the logo is draft and will be improved upon, and we should expect metallic ink for our labels so that they are shiny.



Summary

This plan outlines the basic systems for the creation of a Legal Medical Marijuana Cigar Business and legal distribution dispensary all part of a boarder Medicinal Marijuana Community Network. In this plan we have outlined the basic systems of business for the production and distribution of high end pre-rolled Medical Marijuana Cigars for the local San Francisco Bay Area, and all of California. The plan would be funded by member investors, but these members would not be able to own the company and would get paid back as loans and work time under the laws of California. There are easily planned for-profit expansions to Washington and Colorado, and Globally wherever Marijuana is legal, but in California currently the invested funds would primarily go into a non-profit cooperative structure. Additional fringe investment opportunities are available in businesses that are 100% legal and supply the dispensary. This is a condensed plan as a basic document that will grow into multiple comprehensive plans for each business entity over the course of a few months and years if there is interest in supporting this endeavor. The overall proposal for the implementation of a global business model is over \$100,000. The minimum amount of direct invested funds to begin the startup implementation process to have a basic product is \$5,000 of umbrella admin costs, with an additional \$1,000-\$5,000 for supplies, prototypes and any other orders, but some of the supplies can be gifted or traded and do not need large sums of money.

Basic Description of the Business

- Purpose of the business would be to Produce the highest quality pre-roll Medical Marijuana Cigars in some of the most expensive forms possible, only available to high end and elite customers.
- There would be a few administrators, and groups of 2-5 production workers. Work would be done with orders, and sales would occur at Expos, farmers markets, online (mailed), and in brick and mortar dispensaries.
- Customers can order only our highest end Medical Marijuana Cigars, and are only available as Woden Boxed Cartons of 3-5 individually packaged cigars. We could also offer more expensive high end custom cigars, as well as options for variety packs with Cigars combined with the highest end pre-roll blunts and joints. Eventually we will offer single packaged cigars and expand to the upper and mid level markets.



WHY this project should be done:

- a) Currently there does not exist a place to order and receive Marijuana Cigars. We may be the first business ever to do so. Simultaneously demand is there for this product.
- b) We have networks set up in California, and although it has to be done as a not-for-profit, there is much more flexibility to create a product that can be ready for future legalization efforts, and everyone involved now will get first dips at investing in the For-Profit branches when they come along.

Marketing Strategy

- The primary market will be high end rich and elite people who enjoy smoking marijuana, including but not limited to wealthy musicians, especially the rapping and hip hop industry, as well as wealthy techies who want a cigar for a special occasion.
- Other goals for marketing will be direct customer marketing for our existing cartons and boxes, and eventually more expensive custom orders wherever it is legal to advertise. Additionally we can market direct to dispensaries that would offer our products to their customers.
- Also we can promote the concept of marijuana cigars in general, and high end extremely expensive marijuana cigars in a on-going campaign. This would primarily be online on social networks and stir up a huge buzz which can eventually connect to people rich enough to actually buy them because everyone else will be talking about wanting one but can't.

- Our primary method to attract customers is glamor, beauty, quality, elitism, and possible custom diversity of options. People will see our products that look amazing with nice packaging and want to get them even for presents.
- We will use flyers, online listings, ads, and have a strong presence at expos and cannabis conferences. From there, our primary long term marketing strategy will be word of mouth as people show and share their pre-roll experiences of our products with others.
- Note: The biggest outreach day for all of the industry is on April 20th. This is just a few months away, and we will have to wait an entire year if we don't move on this. For as little as \$500-\$1000 by paying 10 people to work for 3 hours each for \$10/hr, we could build a contact list of 300-500 people who would be interested in our products even if they can't pay for them, they will get the word out. In a full funded annual campaign, we could easily put \$10,000-\$20,000 of work and advertising for that single day.



Competition

- Currently there is only one other Marijuana Cigar producer that is marketing anywhere. They are Acme420.com and they are selling a low quality \$25-\$50 product in Colorado, and it is wrapped in marijuana leaves, so you are literally smoking leaves. Yikes! That will give you a headache. They wrote in one of their posts that they are trying to get a patent, but I would guess it would be on their production method as I don't think you would be able to patent the concept of a Marijuana Cigar, its just a cigar and anyone can make one. The term Marijuana Cigar is trademark-able though, so we will have to look into that and make sure we aren't using terminology that is trademarked.
- So we can be the first to market in California, as well as possibly Colorado and Washington. But we must expect short and long term real competition, therefore our base is building customer relationships and the highest quality product.
- Our goal is to produce a superior product that makes people feel good because it is displayed and packaged perfectly. Additionally we build our reputation on relationships and community support for change and transformation that people can get involved in if they choose. We have a lot to offer within our network that NO other business could possibly offer as part of their product line.
- To compete in this industry we must spend the upfront costs on plush and beautiful outreach materials and cards, as well as marketing to the grassroots with large volumes of people doing outreach, as traditional outreach systems are not available but will be opening up as legality continues. We must budget an extensive outreach and marketing system. The rest of our business must be based on simplicity, efficiency and replicability to target our products exactly at the right time and location, with 90% of our work being made to order to keep freshness.



Administrative Management

Duties and Responsibilities

- Executive:
 - Board
 - Investors
 - Executive Staff & Network Oversight
 - Director
 - Reports, Finances, Legal, Scheduling, Timelines, Strategy . . .
- Management:
 - Supply Manager
 - Production Manager
 - Distribution Manager
- Associates:
 - Sales & Customer Service Representatives
 - Account Associates
 - Delivery Drivers
 - Marketing Outreach Associates
 - Events
 - Flyering
 - Production Associates
 - Rolling & Packaging
- Affiliate Commissioners
 - Get Paid to sell product for us.

Names and Qualifications of the owner(s) and manager(s)

- Jay Blas Jacob Cabrera
 - Has experience setting up 2-3 grow operations, and growing 3-4 annual gardens. From experience with the existing (pathetic) pre-roll industry, Jay created the original idea of high scale iconic boxed and marketed pre-rolls. Jay also have small scale experience in setting up legal business systems, management, and systems/production coordination. He wrote this Business Plan and runs a non-profit 501c3, a business partnership, and a political committee. Jay also has a Degree in Agroecology and Biology with emphasis on organic farming and Plant sciences, and has a Green Thumb. Lastly Jay works on a variety of Cannabis Community projects, as well as broader political and social movement networking. Canapas is part of that entire network called the Unity Network.
- Jessie
 - Jessie Came up with the original idea of creating Marijuana Cigars separate from a typical blunt. He is a outdoor organic cannabis farmer in Humbolt, and can provide valuable farming, gardening, and marketing support.

- Greg
 - Came up with the original idea of marketing high end very expensive Marijuana Cigars to famous rappers and other wealthy individuals. He has extensive experience in marketing and potential networks to high end customers.
- Ramoan Lee
 - Came out to California from the east coast to specifically get involved in the Medical Marijuana industry. He currently travels the state and focuses on supplying the packaged edibles side of the industry. He has experience completing 2-3 grow operations from start to finish. He has extensive skills in carpentry, product assembly and apparatus design, and could easily design and build amazing wooden boxes.
- Mike & Pete
 - Mike is a long-term advisor with extensive experience within the medical marijuana industry as Prop 215 was passed.
- CommUnity Network
 - Extensive network of 100's of people we can tap into for outreach and support.
- There are numerous other individuals and organizations that are engaged within this project and other related cannabis projects, and can get involved as needed.



Personnel

- HR Board - oversees hiring processes for the entire CommUnity Network
- Higher People based on Friends and Cross Business Leads through our Networks
- Pay would be reasonable based on cost of product, some training necessary and practice and expertise for actual rollers and makers of the cigars. Eventually we can find professionals with cuban experience, but we will still have to train them in the very different process of making marijuana cigars.
- Evaluations
 - Seasonal Evaluation
 - Feedback loops
 - Pre-Avoidance of Problems

General Regulations and Restrictions (who, when, and what)

- External controls that will affect your business
 - Licenses, entitlements, permits, and authorizations from federal, state, county, or municipal governments, that are needed to conduct business in your area, . Business Insurance

- The business activities are illegal on the federal level and therefore must be done under radar and follow strict regulations within the State and local ordinances of California.
- The most strategic way to organize the business is as a non-for-profit multi organizational entity with fragmented budgets and legal entities to compartmentalize legal variables.
- The more people involved the better because it distributes risk and there isn't a profitable incentive, therefore more people does not diminish opportunity for initial involvement.
- It is currently legal to sell medical marijuana to patients, and tobacco products in controlled circumstances. Must consider legal permits and licenses as separate legal entities, one with marijuana, and the other for tobacco. This is the best way to stay legal.
- Although there is no for-profit options within the California industry, and people must be actively involved to get paid, there are fringe businesses that can house 100% legal activities that can have long-term investors.
- As a multi-organizational-entity, we will have to set up a few legal entities:
 - Mutual Benefit Non-Profit Corporation
 - Unincorporated Non-Profit Association
- Existing Entities that are Part of the Community Network:
 - Unincorporated Not-for-Profit Association
 - Non-Profit Charity
 - Sole Proprietorships
 - Political Committee
- Other Types of Umbrella entities to set Up
 - For-Profit LLC

California Regulations and Restrictions

- California Ordinance
 - Prop 215 - Allows 99 mature plants and legalizes the informal creation of local collectives, allows a minimum of 0.5 pounds of dried flowers per person.
- County Ordinance
 - In Santa Clara County, can grow up to 24 plants per person, and only allows the minimum of 0.5 pounds of dried flowers per person.
 - Offers purchase of a State licensed official ID for individuals.
- Local Ordinance
 - Each City can have a different amount and number of plants allowed to grow. In San Jose they allow 6 mature plants and 6 immature plants per person.
- Grow Permits
 - No grow permit is needed, but a collective can give an individual the ability to grow more than
- Travel Permits

- ☒ Having a State licensed ID allows you to cross county boundaries with bulk flowers as long as you meet local ordinance.
- Collectives and Dispensaries of groups of people can create legal documents that allow individuals to possess and grow more than the maximum regulations for an individual.

Suppliers (keeping supply going)

- Garden and an internal network supply operation
 - ☒ To start we can simply buy from existing farmers, but eventually will want to get our own grow operations started, and this may be required in certain jurisdictions. This will take a long time to get operational and balance, plus it will only produce a maximum of every month or two, but more realistically four times a year. High start up costs, and overhead for electricity.
- Dispensary & Pre-Roll Supply
 - Having as many supply options from around the local area is a plus, especially to have variety, alternatives, and back ups for the Dispensary.
 - The primary variety and Suppliers will come from outdoor. There are two primary grow areas in our region.
 - Humbolt - This is the largest grow volume in California. We have direct access to network partners with volumes of 1000 lbs per year. This will average about \$2750 per lb for nice outdoor. Will be able to get lower grade and high cost premium. The overhead for the 16 hour two day travel trip to Humbolt is between \$300-\$500 per round trip.
 - Monterey - Monterey is much closer than Humbolt, but is much smaller scale. Our networks in Monterey have a few hundred pounds of production, and the quality may be more variable, but it is good and the overhead cost for transport is much less.
 - ☒ For our Custom Pre-Roll, we can use highest grade options directly from partner dispensaries and get a discount buying in bulk. This keeps our variety up and keeps costs low, and keeps our inventory low cause we can customize to target volumes with low upfront costs.

Financial Management

- Financial needs:
 - Balance sheet
 - ☒ Currently we have no funds.
 - ☒ Canapas has had NO investments as of yet, and only about 30-50 hours of time.
 - ☒ The larger Pre-Roll Network has had investments of a few thousand dollars, of money and time.
 - Current Investment about \$3,000 & 1500+ hours of time

- There is No current debt or liability accounts.
- Current Assets:
 - 3-4 Logos and Brands, Box & Pre-Roll Designs, Web Domain, and about \$500 of rolling equipment and \$500 of old practice flowers.
- Expected income and expenses
 - Income Variability
 - \$500-\$10,000 Production Cost for high end Marijuana Cigar
 - \$1,500-\$20,000 sales, with a 2-3x markup.
 - Our highest level Product would cost over \$200,000 and could easily make us \$50,000+ of surplus win a single sale.
- Financial stability, break even analysis, and savings...
 - We must have substantial mark ups, and our surplus comes from selling single cigars.
 - Short Term Investment Needed to get started: \$5,000-\$10,000
 - Additional Medium and Long Term Investment for Growth and Scale: \$25,000-\$50,000+ for global operations
 - much of these funds are spend on administrative and legal systems to ensure legality in a multitude of locations throughout the world. Each individual locality has different laws, this becomes very expensive.
 - Within 1 year after market share is built up, we can Make \$20,000+ a month
 - Once we have a basic market share, the growth can be exponential if it catches on. If we can eventually sell 10,000 pre-rolls of Cigars and joints, that could be as much as \$200,000+
- Basic Monthly Budget, what does the budget look like, what are the main categories, how much money is in it, no excel sheet, just plain written or listed. Basic and simple. So that you can scan it. Brief Justification for any questionable items. Last years budget review...
 - Personnel:
 - \$1,000 Admin
 - \$2,000 Management
 - \$3,000 Associates
 - Short Term Start Up Costs
 - \$5,000 Admin Support Network
 - \$1,000-\$2,000 Marketing
 - \$0-\$5,000 samples
 - \$1,000 Product Supply



- \$1,000 Product Production costs
- ☒ On-Going Monthly Costs:
 - \$500 Marketing
 - \$1,000 Product Supply
 - \$500 Product Production
 - \$500 Distribution
- ☒ Custom Pre-Rolls
 - Custom has very little start up costs, but higher prices.
 - Primary costs would be in Marketing and Distribution and could be intertwined with general Outreach above.
- ☒ Advising
 - \$1,000 Legal
 - \$250 Accountant
 - \$500 General Consultation
- Taxes and Fees:
 - Charges imposed by each government level
 - ☒ Primary taxes would be at local city level, and could be avoided by focusing our efforts outside of city ordinance, or allowing individual dispensaries to take the tax burden.
- Profit and loss
 - Initial statements will be able to be created within 6 months.
 - We will be able to track the likely point we can pay back 100% of investment within 1 year.

Evaluation Plan

- Overall Evaluation
 - Our primary goal is to market and sell high end medical marijuana cigars to wealthy people who can afford it. Because the cost will be so high, we can come out even by selling a single cigar. Our short term goals should be at least one per month, and within a year if we are selling 5-10 per month that would be huge. Eventually if it takes off we could easily be selling 100+ per month. Eventually we can sell even more depending on how or when we decide to lower the price for regular folk.
- Evaluation Process
 - We will make detailed records on a weekly and monthly bases to keep track of costs, expenses, inventory, marketing and sales. Each month we will issue a short monthly update to investors, and issue a quarterly report that quantifies and evaluates our target goals vs. accomplishments.
 - Every quarter the report will be the topic of a leadership conference call where all investors and managers can discuss the outcomes, and how to improve for the next quarter.

Additional Supporting Documents

- Existing:
 - Detailed Budgets and Production cost spreadsheets.
 - Dispensary Membership Agreement
 - Production Process Documents
 - Structure Documentation
 - Substantial Legal Documentation (national, state, and local)
 - Overall Network Decision Making Systems
- To make:
 - Other Agreements and Contracts (as needed)
 - Additional Business Plans for each legal entity created
 - Profit and loss statements
 - Budgets
 - Obtain licenses and other legal documents
 - Many others

Long Term Outlook

- As we establish a presence in California and primary do delivery orders from mass outreach and advertizing in the Cannabis community, it will be time to evolve the business.
- Colorado and Washington are the primary focus for the evolution of this plan before California legalizes. With full investors the business plan will be much more applicable for growing the business and scaling to increase marketshare and increase sales. Additionally the primary hurdle in marketing is a underground outreach, where in a legalized system there may be more outlets to do direct marketing.
- With \$100,000 start up budget we could certainly launch globally from the get go, but realistically it will take us time to open in various localized markets to legally provide our product to our clients. It is essential to include into the price of our short term costs, the long term legal and administrative budgets for expansion.
- Overtime we can increase the type of Marijuana Cigars we have, and also collaborate with other forms of Pre-Rolls including blunts. Our primary offer will always be the Marijuana Cigar as our most premium and expensive product.
- Overtime we can build up the Medicinal Cannabis Community Collective (MCCC) as the primary dispensary and collective for our growing community. This would include local delivery in various locations across California, as well as the possibility of a physical location.
- Long Term Profitability Breakdown:
 - If we are able to create and own a for-profit marijuana cigar business one day when marijuana is legalized in California, or when we launch in Colorado, Washington, or somewhere else where it is legal, here is a possible break down of % dividends. [All final dividend ownership will be based on actual % contribution of money, time, and work].
 - Jay (Co-Founder Original Concept) - 15%



- Greg (High End Marketing Idea) - 8%
- Jessie (Original Cigar Idea) - 7%
- Ramoan (Secondary Cigar Idea) - 3%
- Mike & Pete (Advisors & Original Investors) - 3%
- Drew (designs) 1%
- Worker Equity - 18%
- Community Equity - 20%
- Investor Equity - 25% [currently up to \$100,000 of equity to be raised]

Info on long term Company Valuation:

<http://www.bothsidesofthetable.com/2011/10/14/understanding-how-dilution-affects-you-at-a-startup/>