

Can XA Group, LLC d/b/a Jersey Dispensary

Executive Summary

Can XA Group, LLC (“Can XA” or “Company”) d/b/a Jersey Dispensary, is a single member minority owned New Jersey limited liability company that has submitted a conditional micro retail adult use license application to the New Jersey Cannabis Regulatory Commission and Jersey City to own and operate a micro recreational cannabis dispensary located at 638 Communipaw Avenue in a designated Impact Zone.

The Company is owned by Peter Nguyen, a Vietnam refugee and United States citizen that has overcome tremendous disadvantages to become a successful businessman. Peter possesses a strong faith in equality and community activism to empower minorities.

The Company will focus on quality and tested cannabis products from New Jersey licensed cannabis growers, processors and e that are fully compliant with federal, state and local laws and regulations, and other complementary products. Management and our employees will be diverse, primarily minorities, friendly, highly trained, responsible, and active participants in the Company’s community impact, participation and diversity plan initiatives.

Management Profile

Peter Nguyen – Majority owner and Chief Executive Officer (“CEO”). Peter is ultimately responsible for all facets of the Company and its operations. He is actively seeking qualified managers and employees in the community. His extensive and successful business experience running and operating multiple retail businesses such as a laundromat, a mini mart and several restaurants and bars provides a great foundation for success.

Duties

- Implementation of the Company’s Mission Statement and Business Plan.
- Management of the application process and start-up of operations.
- Will oversee all operations and set protocols for all segments of the Company
- Employee recruitment, decisions and the selection of vendors and third-party contractors.

- Implement a set of retail cannabis Standard Operating Procedures and handbooks to set management diversity goals and management.
- Lead the management team in consideration of daily business decisions.
- Promote communication and cooperation company-wide to create a spirit of unity and community participation.

Responsibilities

- Work with the COO to establish short-term objectives and long-range goals, and related plans and policies.
- Direct the Company's compliance with all applicable laws, rules, regulations, and standards in conjunction with the COO.
- Facilitate the production of regular reports on the status of the Company's operations.
- Review and update the Company's community participation and diversity goals and plans.
- Review of the Company's financial structure, ensuring adequate and sound funding for the Mission and goals of the company.
- Review the financial results of all operations, comparing them with the company's objectives and taking appropriate measures to correct unsatisfactory performance and results.
- Lead all business negotiations and vendor agreements.
- Serve as a Company co-representative to employees, customers, cannabis related organizations/associations, governmental entities, and the community at large.
- Perform all other related duties to benefit the Company's strategic plan.
- Use his social and business communication skills and experience to be an effective leader.

Peter possesses a tremendous work ethic with a spirit of community in mind, but also a unique combination of perseverance and management experience that is necessary for a retail dispensary to be successful. Additionally, Peter has over 20 years of prior experience managing retail operations, implementing company directives and a full spectrum of administrative duties from staffing, and hiring, management of the entire business to the timely production of reports and other work product.

Chief Operating Officer ("COO"). Peter will be the acting Chief Operating Officer until an appropriate hire is made and some of these duties will be

transitioned to that individual. They will work jointly to implement and execute the Company's overall strategic plan and the success of the business.

Peter is aware that the cannabis industry has some complex challenges from a banking, financing, accounting, regulatory and tax compliance perspective. He will be able to apply his business analytical skill set and ability to interact with people from all backgrounds to successfully perform the following duties:

- Design and implement business strategies, plans and procedures.
- Set comprehensive goals for the dispensary's performance and growth.
- Establish policies that promote the Company's Mission and vision.
- Oversee daily operations of the Company (IT, Marketing, Sales, Finance etc.).
- Lead employees to encourage maximum performance and dedication.
- Drafting, review and approval of all SOPS and operational related handbooks and/or manuals.
- Evaluate performance by analyzing and interpreting data and metrics.
- Write and submit reports to the CEO in all matters of importance.
- Assist the CEO in setting the Company's social impact and community reinvestment plans.
- Manage business relationships with partners, vendors and alliances.
- Participate and review vendor and customer relationships.

Additionally, Peter will be responsible for the traditional duties of a CFO and will coordinate the engagement of an experienced cannabis accounting firm to review Company generated financial reports, tax filings, 280e mitigation plan, detailed 12-month forecasts and budgets broken down month by month, cash flow forecasts, income statement, profit and loss statements, forecast reports, balance sheet and inventory monitoring, create and implement KPIs (Key Performance Indicators) to collect and analyze Company data to assess business performance in real time, overall cash management, banking relationships, compensation plans and other Company related financial and operational support.

The following are job titles and duties of the anticipated management and employee team.

Security and Safety Manager. Will be a collective team effort until this managerial position is filled. Responsibilities include the monitoring of all

areas of operations to ensure the safety of customers, staff, neighbors, and compliance with cannabis related and other laws and regulations. Also, the Company will enter an agreement with a licensed and experienced security company for the implementation of a security plan, the installation of monitoring equipment, and verification of security procedures with back-up power in the event of a outage.

Sales/Floor Manager. Actively being recruited. A qualified resident of the community with retail management experience in a small high-volume sales environment. Will be responsible for the sales floor and displays, management of the budtenders, product differentiation, proper handling and dispensing of cannabis, training of budtenders, daily sales, inventory and financial reconciliation with management, scheduling, and management of the reception area.

Inventory Manager. Supervise the receipt of products, verification of packaging requirements, inventory reconciliation, the preparation and verification of orders, delivery scheduling, reporting of any discrepancies and other duties.

Budtenders. Friendly and knowledgeable sales floor cannabis specialists. Extremely important team members where service is paramount. They will receive specialized training for the understanding of cannabis, cannabis strains, methods and production of other cannabis products, and merchandising will be part of our mandatory training program which is updated periodically. The Company is actively recruiting budtenders.

Check-In/Reception. Check in, verification of age, customer information and general administrative duties. A welcoming and knowledgeable individual is needed because for first time customers the interaction with the receptionist most likely will be their first interaction with the dispensary.

Support. Stay active with various cannabis business associations and memberships, industry veterans such as managers/employees of various New Jersey licensed expanded medical ATCs, proposed retail dispensaries that have experienced owners and operations, trade shows and industry events, compliance and tax mitigation specialists and other cannabis business professionals.

Operations Manual and Employee Handbook

A comprehensive operations manual and employee handbook will provide employees and management with information and policies to guide their behavior and relationship with the Company. The handbook will be provided to all employees and copies of the manual will be available for review and reference inside the store. The manual will address the following topics:

- The Company's strategic plan and philosophy
- New employee onboarding procedures
- Training manual and schedule
- Work performance, being on-time, diligent attitude, sick days, Holiday schedules, dress code and other workplace rules
- Security and Safety policies, procedures, and guidelines
- Drug and Alcohol Policy
- Anti-Discrimination Policy
- Anti-Harassment Policy
- Social Impact Plan with employee and management participation, budgeting, and other community reinvestment goals
- CRC Regulation handbook including local rules and regulations
- POS system and accounting procedures
- Inventory Process Handbook

Social Equity Impact Plan. The Company will hire 75% of all employees from designated impact zones and the local labor pool, and be representative of our socially, ethnic, and diverse community. Also, by hiring locally, our total payroll impact will be upwards of \$330,000 and based on projected revenues our sales and use tax payments can be upwards of \$315,000 or more.

Sponsorships and Community Participation. Paid sponsorships and active participation in the community will offer increased visibility and provide significant exposure well beyond its cost. Sponsorships will be specifically targeted for events in which cannabis use is already widely accepted and/or where there is a need to educate, promote the attributes of cannabis or directly helps our disadvantaged community.

- **Community Reinvestment.** Be a good neighbor and instill a culture of community service. The Company is initially committing in the first

year the greater of 1% of annual gross revenues (approximately 5% of net income) or \$15,000 at a minimum, to various charitable, community, social impact educational and vocational organizations, or programs via its Non-Profit Partnership Fund.

- **Memorandums of Understanding.** Can XA has executed MOUs with three (3) local Jersey City based charitable organizations that are active in the community currently and for years.
- **Woman Rising, Inc.** Can XA will assist the Organization in facilitation of its goals, purposes, and mission statements by providing additional support and resources with voluntary hours and working with other business owners to become more actively involved with Woman Rising to counter domestic violence, homelessness, workforce development and job placement within the industry, and other initiatives and programs. Woman Rising shall receive a minimum monetary donation of \$5,000 during Can XA's first year of operations and in-kind donations as a designated beneficiary of the Non-Profit Partnership Fund.
- **Haven Adolescent Community Respite Center** shall receive a minimum monetary donation of \$5,000 during Can XA's first year of operations and in-kind donations as a designated beneficiary of the Non-Profit Partnership Fund. The Company will help the Organization facilitate its goals, purposes, and mission statements by providing additional support and resources with voluntary hours and working with other business owners to become more actively involved the Organization and its programs.
- **Community Treasures** will receive monetary and in-kind donations as a designated beneficiary of the Non-Profit Partnership Fund in the amount of \$5,000 in its first year of operations. Can XA will encourage additional support and resources with voluntary hours and to become more actively involved with Community Treasures in an effort to continue its mission of helping Jersey City residents with emergencies, clothing and outreach.

Keys to Success

- Ownership and the assembled team have extensive work experience

managing successful goal-oriented businesses that require planning, management, administration, regulatory compliance, and execution.

- Can XA will be a responsible community-based business and are developing close working relationships with civic, business, and government leaders and their staffs.
- Engaged, reviewed, and discussed all facets of cannabis business operations with cannabis business owners, consultants and other professionals, local and state officials, accounting firms and the importance of 280e mitigation and financial reporting with accounting professionals, and others that directly affect the success of retail dispensary operations and profitability in a highly regulated framework.
- Prepared a comprehensive application package and business plan that addresses the areas required to fund and operate a legally compliant, sustainable organization that can fully deliver on its business plan.
- Recruiting an experienced staff and team members that are representative of our diverse community. The goal is to hire at least 75% of our employee base from the local community. Employees will receive hands-on training continually on all aspects of the business, our standard operating procedures, compliance, the employee manual, community engagement goals and other segments to create a cohesive and efficient workplace.

Financial Plan

For over 24 months, the Company has been formulating a start-up and operational strategic plan to open a micro retail cannabis dispensary. The proposed location is co-owned by Peter and some family members which provides a tremendous advantage and flexibility with initial costs, below market rent and cash flow. The standalone storefront is approximately 1600 square feet and was a restaurant that already has bathrooms, flooring, sufficient power, parking and other needed infrastructure.

From our analysis of other jurisdictions, some of the best performing dispensaries are of a similar size, offer great quality and selection, are actively engaged in their local community, and have some of the highest yearly revenue per square foot numbers in the industry. With I.R.C. Section 280e and the negative tax consequences of operating a cannabis business, it is imperative that we stay efficient and small, have instantaneous access to financial reports and a funded financial plan.

The first step in this process was to formulate a start-up expense budget with financial revenue and cost projection pro-formas that cover everything from the locations initial improvements to working capital and payroll reserves for the first 24 months of operations.

Peter has worked to create this budget and it represents real costs and expenditures within a 15-20% variance at most. If anything, the capital funding plan will require less capital although if over budget, additional funds are available.

Below is a short summary of the Company's start-up expenses and initial operating budget once open for one (1) year. The start-up, expenses and operating budget range is approximately \$324,000 to \$414,000. Additionally, the Company has committed capital that is available today of \$500,000 and additional liquidity is readily available from family members.

Item	Cost Estimates	
	Low	High
Location	\$ 70,000.00	\$ 95,000.00
Technology	\$ 22,550.00	\$ 30,000.00
Marketing	\$ 11,950.00	\$ 15,625.00
Inventory	\$ 34,800.00	\$ 46,500.00
General Admin & Utilities	\$ 167,400.00	\$ 196,300.00
Application, License & Other Fees	\$ 18,200.00	\$ 30,700.00
TOTAL START UP EXPENSES	\$ 324,600.00	\$ 414,125.00

Location is the foundation of the Capital Funding Plan and is necessary to formulate a detailed budget and operation plan. The location is owned by an LLC that is owned by family members so there is flexibility and no payments have had to been made to date. The Construction costs necessary for a refreshing contemporary feel that fits in with the community, and to be fully compliant with all regulations, is approximately \$70,000 - \$95,000 which includes air quality systems, electrical upgrades, flooring, carpentry, displays, and other improvements.

Technology is a key component of safe and efficient operations. The Company will rely heavily on computer systems, a robust POS system and back-office support. The initial System is Flowhub®, which is the point-of-sale system ("POS"), and related equipment will cost approximately \$11,000.

These systems working interactively with QuickBooks will ensure compliance, the payment of taxes, daily financial reconciliations, inventory tracking and efficient operations.

Marketing encompasses all the components of building and implementing our Mission and brand. Includes print, internet marketing, search engine optimization (“SEO”) tools, social media platforms, word of mouth and active involvement in the community and industry.

Inventory. Includes cannabis products such as flower, concentrates, and other products. Supply agreements for flower, concentrates and other cannabis products, paraphernalia, and general merchandise. The estimated inventory budget totals approximately \$35,000 to \$47,000. It is important that the store is well stocked with a diverse selection of cannabis and non-cannabis products on day one, as customer first impressions are everything.

General Administration includes operational costs such as payroll, taxes, administration, capital reserve, insurance, professional, accounting, and other fees for one full year of operations.

Application fees. Includes the annual licensing fees that will be owed in the future. The Cannabis Regulatory Commission (“CRC”) and local fees could total approximately \$18,000 to \$30,000 including application, initial and future annual licensing fees, and other associated costs if a cannabis consumption license is pursued.

Banking Plan. Most financial institutions are prevented from handling cannabis related accounts under federal law. As such, we have communicated with several local community banks that are offering cannabis related banking services such as Alpine State Bank and Bayonne Community Bank (“BCB”). BCB is aggressively pursuing local cannabis businesses and has offered discounted on-boarding fees, monthly account fees, and other benefits for locally based cannabis businesses. We will be opening a cannabis business account that will become operational upon licensing.

Merchant services. Currently, MasterCard, Visa, American Express and other national credit card issuing and transaction clearing companies are prohibited by federal law to clear cannabis related transactions. As such, there is a heavy reliance on debit and cash transactions. To minimize merchant service fees,

we will implement the FlowHub™ POS software platform that will clear debit transactions at a flat rate of \$2.95 per transaction. Most companies offering similar merchant services charge anywhere from 2 to 5% of the total transaction. Once again, we have managed to decrease our banking and clearing fees to increase operational efficiencies.

Revenue, Expense, and Income Summary

Revenue. Our management team has formulated a complete financial analysis from startup expenses and the following first two (2) years of operations. Information was gathered from a wide assortment of sources and industry professionals. We believe a conservative estimate and range of first year sales on a per square foot of retail space basis is \$1,250 per square foot or \$1,875,000 to \$1,600 per square foot or \$2,400,00 for a 1,500 square foot store.

Expense and Net Income Projections. The non-deductibility of most business expenses under IRC Section 280e will hamper the overall profitability and net income of our dispensary. Payroll is the largest single expense and with all taxes can easily approach \$330,000 or more for a small dispensary. With deductions of only essentially COGS as a business expense, and the fact that we will paying taxes on the disallowed expenses, we anticipate our net operating income with our experienced management team and a cannabis accounting firm to be approximately 15 to 18% of gross sales.