

Cannabis commercialization questions and answers

Warm Springs Ventures, and Ventures chief executive director Don Sampson, developed this information, to answer frequently asked questions about the cannabis commercialization project.

What kinds of new jobs would be associated with the operation?

Answer: There would be a total of 82 new jobs (minimum). The jobs include:

Management level - (\$45,000 - \$85,000 per year). These include: Operations Manager, Facilities Manager, Cultivation Manager, Extraction Manager, Production and Packaging Manager, Accounting Manager, Compliance Manager, Store Manager (3 positions), Security Manager.

Mid-level - (\$15 to \$20 an hour). These include:

BioTrack System Administrator, Flowering Lead (2), Vegetative Lead (2), Cloning Lead (2), Packaging Lead (2), Machine Technician Lead (2), Assistant Manager (3), Transportation Specialists (3).

Entry Level - (\$10 to \$12 an hour). These jobs include:

Flowering Technician (7), Vegetative Technician (6), Cloning Technician (4), Machine Technician (2), Packager (5), Trimmer (12), Cleaning Crew Member (2), Transplant Technician (2), Budtender (9), Front Desk Clerks (3), Data Entry Clerks (5).

What kind of cannabis growing operation are the tribes considering?

The project would be highly limited in scope.

It would initially involve a tribally-owned enterprise to own and operate cannabis and marijuana production, processing, wholesale and retail sales of these products.

These activities would also be highly regulated through licensing requirements that would track all of the seeds, plants and products to ensure they are sold only at approved outlets for off-reservation use.

The Referendum is also authorizing the production, sale, wholesale and retail sale of industrial hemp for future development.

Facility and Cultivation

The growing facility would be 36,000 square feet in size, with 16,400 square feet dedicated to flowering plants.

Production is estimated at 35 grams per square foot of flowering space every 60 days.

Cultivation would be divided between 6-week, 8-week, and 10-week flower-

ing strains.

Normalized production: 6,700 pounds annually (dry and cured) at approximately \$350 per pound to produce (includes extraction costs and fixed expense).

The facility would be secure, with highly controlled access.

Why a greenhouse? And what are the energy requirements?

- Like growing any plant, cannabis requires a large amount of light and water to grow fast and healthy.

- Unlike other plants, cannabis requires very specific lighting cycles during different periods of growth, called the vegetative and flowering periods.

- In an indoor grow, this requires massive 1,000-watt high pressure sodium bulbs to be running for as many as 18 or 24 hours per day in an effort to duplicate the sun's natural light.

- These lights produce a

substantial amount of energy in the form of heat that then has to be treated by large commercial HVAC units, typically 5 tons of cooling per 15 lights, with most growers installing a second unit for redundancy purposes.

- Wastewater discharge will be minor and fully meet all tribal water quality discharge standards.

- The facility would use an extremely small fraction of the tribes' existing water right.

Who are the partners?

Answer: Sentinel will provide financing for construction and operation.

- Sentinel is a private equity fund based in Orlando, Fla.

- Sentinel currently has approximately \$700 million under management in various industries, including:

- Capital financing (equity and debt transactions), commercial loan servicing, and asset management.

Sentinel has been involved directly in numerous debt transaction with tribal groups.

The Sentinel Group is the second largest servicer of Native American debt in the country after Bank of America.

Another partner would be Strainwise, one of the largest cannabis cultivation, retailer, and extraction management companies in the U.S.

There are nine Strainwise branded retail stores: Seven dual licensed, two medical only, and four more stores projected to open by the end of June, 2016.

Cultivation under Sentinel management: Five grow facilities, totaling 130,000 square feet, with 1,800-2,200 pounds produced per month.

The company has 130 employees, including full-time compliance, human resources, accounting, business development, and cultivation management.

Wildcat Pharmaceutical Development

Wildcat through its various subsidiaries operates a contract research organization (CRO), responsible for performing bioanalysis and research and development for pharmaceutical companies pursuing FDA approval.

- Wildcat PDC serves clients including major pharmaceutical companies (for example, Amgen), major academic research institutions (for instance, MD Anderson Cancer Center), and other startup and emerging biotechnology companies.

- Wildcat PDC will provide analytical testing and research of cannabinoid related compounds using the same

testing standards.

Why Sentinel and Strainwise?

Answer: "We're a team that understands and has succeeded in multiple industries outside of the cannabis space." The capital partner, Sentinel, is the largest non-FDIC insured servicer of Native American debt in the country.

The operating partner, Strainwise, is currently one of the largest operators in the most mature cannabis market in the U.S.

When might we see a referendum?

Answer: December 17, 2015.

When could the tribes begin to see new revenue from the operation?

By the end of 2016.

Would personal possession of cannabis still be illegal on the reservation?

Yes. This is a separate issue the membership and Tribal Council must address. This referendum focuses solely on tribal economic development, jobs and revenues.

Should there be concern about an increase in marijuana use among young people, as a result of the growing operation?

Answer: No, there will be no marijuana sales on the reservation. The commercial facility is strictly controlled and secure. All sales will occur off the reservation in Portland and Bend markets, where sales to adults over the age of 21 is legal.

(More on the Cannabis Commercialization Project on page 8.)

What is the financial benefit to the Confederated Tribes of a cannabis operation?

	2016	2017	2018	2019	2020	2021	2022	TOTAL
	FY1	FY2	FY3	FY4	FY5	FY6	FY7	
Total Revenue	15,897,434	31,793,297	31,858,061	32,123,585	32,766,057	33,257,548	33,590,123	211,286,105
Total CGS	(718,818)	(1,141,186)	(1,175,421)	(1,210,072)	(1,245,120)	(1,280,554)	(1,316,373)	(8,087,544)
Gross Margin	15,178,616	30,656,480	30,682,639	30,913,513	31,520,937	31,976,994	32,273,750	203,202,930
Total Fixed Expenses	(3,444,840)	(4,518,800)	(4,081,943)	(4,200,801)	(4,323,225)	(4,449,322)	(4,579,202)	(29,598,133)
EBITDA (Profit)	11,733,776	26,137,680	26,600,696	26,712,712	27,197,712	27,527,672	27,694,548	173,604,796

EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization.
CSG - Cost of goods sold (materials purchased for the operation).

Courtesy Warm Springs Ventures.

Referendum: absentees going out soon

(Continued from page 1)

Meanwhile the enterprise would be wholly tribally owned, with the partnership necessary to get the project started, and to gain the expertise.

A highly regulated business

The Ventures team and Tribal Council have been studying the cannabis commercialization project for about 10 months. Council established an exploratory

team, which has looked at the legal, economic, health and other aspects of the proposal.

During the Council presentation on the referendum, the Ventures team emphasized they have been working openly and cooperatively with state and federal officials.

The state would have to amend a law that currently precludes tribal participation in the state cannabis market; and state officials are willing to make the change, said Pi-Ta Pitt, Ventures board member.

The tribes have met with federal law enforcement officials—from the U.S. Attorney and U.S. Marshal's offices—and they are aware of the tribal proposal.

The U.S. Attorney's Office has a policy regarding federal enforcement in states that have legalized cannabis. The policy lists instances—promotion of organized crime, sale to minors and inter-state sale, for instance—when federal cannabis prosecution would apply.

Otherwise, the federal ap-

proach is to defer to the state law regarding cannabis.

The most important aspect of a Warm Springs tribal cannabis project would be to implement a highly regulated and secure program, said Don Sampson, Ventures chief executive officer. Under these conditions, the tribes would be given the same consideration as other commercial growers in the state.



Warm Springs MARKET
Family Owned Since 1944

SALE
Thanksgiving necessities going on sale soon, watch for items to save holiday \$

Beads, Native American Gifts, Deli, Grocery, Ice, Fishing Permits, Western Union, Check-Free Bill Pay, ATM and much more!

541-553-1597
2132 Warm Springs Street, Warm Springs, Oregon

Cliff's Repair & Auto Sales

475-6618

Free Towing on \$500 or more invoice

330 S.W. Culver Hwy. Madras

Complete Exhaust Shop



24 Hour Towing

CLIFF'S (REPAIR & AUTO SALES) TOWING 475-6618

INTERSTATE BATTERIES

- High Performance Parts & Work - Diesel Repair - RV Repair - Domestic & Foreign Cars - Engine Overhauls