



VICTORIA CANNABIS BUYERS CLUB

Strategic Plan 1.0

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Executive Summary

The Strategic Plan 1.0 has been developed as a tool to guide the Victoria Cannabis Buyers Club (VCBC) and its stakeholders into the future in a unified, well defined collective vision. The VCBC's primary mandate is to provide safe access to cannabis products to patients. It was founded in 1996 by Ted Smith.



VCBC founder Ted Smith.

On October 17, 2018, the new Cannabis Act came into effect, posing many challenges and opportunities for the VCBC. This strategic plan outlines our history, our current fiscal and legal status, as well as our plans for moving the VCBC into the future legal cannabis market.

The major goal of this document is to outline our plans for a new and separate business that will be 51% owned by the VCBC and will operate as a processing facility for the club.

The Strategic Plan 1.0 is intended for all stakeholders of the VCBC which includes the current membership and prospective members, potential investors, governing bodies and financial institutions.

This strategic plan will be followed by a more comprehensive Strategic Plan 2.0 in the summer of 2019 that will be an updated business plan on how the

processing facility will be licensed, financed and structured.

Introduction

The legalization of cannabis is dramatically changing the landscape for long standing compassion clubs and the patients they serve. The Victoria Cannabis Buyers Club has been supplying patients with cannabis products illegally for over two decades and needs to merge into the new legal market without compromising the health of its members. In an attempt to bring the club into full compliance with the law, the VCBC will lobby the provincial and federal governments for regulatory changes while building the internal infrastructure necessary to integrate to a fully licenced operation.



Ted Smith with Louis, a long-term VCBC member.

Several key components of the club are not yet within the current legal framework. For example, current regulations do not permit the sale of edibles and extracts, the cannabis consumption room, or vertical integration of processing and distribution. Therefore, much activism and political actions needs to be done before the club can apply for a licence from the province.

Currently there is a risk of raids by local authorities if there is no attempt made by the VCBC to comply with the laws concerning recreational cannabis distribution. This means the organization will continue to operate as a compassion

club until the transition to the legal system is complete. We have made this choice because applying for a *recreational* license too soon would force the club to remove products from the shelf that are critical for the health of its members and we are not willing to put the health of patients in jeopardy to meet these requirements.

Cannabis Extracts

For the VCBC, the switch over to the legal system hinges on the sale of cannabis extracts and edibles, which are prohibited in the initial phase of legalization. It is proposed that edibles will become legal in October 2019. If the current unrolling of the legal cannabis market in BC is any indication, the regulation of cannabis edibles will be arduous and riddled with issues.



Edibles are a popular cannabis delivery method for patients.

The most critical issue to come with regulating edibles is that suggested THC limit of 10 mg per serving on regulated edibles is much lower than most patients require treating chronic pain and ailments. The VCBC has been providing high potency cannabis edibles and capsules to patients for decades and we do not accept that prohibition of stronger edible extracts is effective or just. Once the full ranges of cannabis products patients rely on are available in the legal framework, the VCBC will make every effort to comply with all laws.

Lobbying for Vertical Integration

A significant component of our strategic plan for moving the VCBC into the newly developing market will be lobbying government to change the federal regulations prohibiting an organization from owning a processing facility as well as a retail storefront. Currently, the federal regulations prohibit vertical integration that the VCBC depends on. Most of the unique products offered by the VCBC are unavailable from other sources, and our consistent efforts to use healthy ingredients are central to providing reliable medicine to our members.

The current legal model does not permit a direct connection between producers and retailers, what is referred to as vertical integration. This is done in an attempt to stop large corporations from taking over all aspects of the industry. However, in the context of our small scale non-profit organization, vertical integration of processing and retail distribution would allow us to stave off the power and influence of large scale corporate influence. Operating a processing facility, production facility and a distribution outlet under one organizational umbrella would allow the VCBC to collaborate our business operations, produce most inventory in-house to reduce costs, as well as ensuring high quality products to our members.

Many patients and healthy citizens across the country are eager to gain and maintain access to our products. There are great potential revenue possibilities available if the VCBC can maintain control over both its retail and processing components. Therefore vertical integration of our bakery and our retail storefront is a major goal of this strategic plan and will require political action and dedication to achieve.

Safe Inhalation Room

A critical part of the club that cannot be lost in the transition to the legal market is the VCBC's safe consumption room which is currently in conflict with provincial regulations. From the beginning, the VCBC has worked hard to provide a safe and no-cost sanctuary for patients to use their medicine, a space that gives members a sense of community, security, and belonging that truly makes the organization a club and not just a store. We have strong support from the Victoria City Council which bodes well for our future in 826 Johnson St. However, the VCBC will lobby the province for sensible regulations for smoking lounges to ensure "The Box" will survive the transition.



The Box is a safe consumption space for VCBC members.

The Victoria Cannabis Buyers Club faces many challenges during this transition into the legal scheme. By building strategic partnerships, lobbying for crucial regulatory adjustments, attracting investors and focusing on patients, the VCBC strives to maintain its core values while expanding into the recreational market at the right time. The VCBC was a leader in the struggle to unravel the prohibition of cannabis and the club will now play a pivotal role in the evolution of the legal cannabis system, by putting the sick and disabled first.

Background

Founded in January 1996, the VCBC is the oldest compassion club in Canada and second oldest in the world next to W.A.M.M. in California, and the VCBC has a growing membership of more than 7,000 patients. From the beginning, one of the fundamental pillars of the club has been the provision of food and skin products, which were historically not available in the black market and were not recognized as beneficial by the medical establishment. The Charter of Rights and Freedoms affirms a patient's right to choose their course of medical treatment. The VCBC has crafted its mandate to provide medical patients with medicinal cannabis based on this fundamental freedom of Canadian citizens.

Possessing little more than a pager and a pamphlet, the founder lived in a van and did not even have scales when he began distributing cannabis medicine to those in need.

In 2001 the club moved to a commercial location where it has provided medicine to patients every single day since. Shortly after securing the facility, the closet was converted into a smoking room so patients would have a dignified place to consume their medicine in the face of powerful cultural stigma and prohibition of cannabis consumption in public spaces.

Within a year of operating in the back of a bookstore, police raided the club four times, beginning in January 2002 and ending in February 2003. Not only did the VCBC reopen immediately after all four raids on its store but the club beat every single one of the fifteen charges laid against staff using various constitutional arguments.

With a dedicated staff and strong support from the community, the VCBC has survived more raids than any club in the country.

Meanwhile, after judges began acknowledging the laws prohibiting the herb were a violation of the Canadian Charter of Rights and Freedoms, the federal government was forced to create a medical cannabis program in 2001. The Medical Marihuana Access Regulations (MMAR) were the first medical marijuana regulations that allowed patients to grow for themselves, or to find a designated grower to produce for them, or to ideally purchase from a government approved Licensed Producer (LP). To gain legal protection to consume cannabis medicine, patients were required to find a doctor willing to recommend the use of cannabis, a requirement that is exceptionally difficult for many low income patients unable to find a family physician at all. The barriers to access to the medical model, which is on going to this day, was a great impetus for the club to continue to provide medicine to those that needed it where the government outright refused to.

In 2009, the bakery of the club was raided and Owen Smith was charged with possession of cannabis and possession of THC for the purposes of trafficking. Guided by the legal expertise of Kirk Tousaw, the club fought this case in three separate hearings beginning in 2012 with the BC Provincial Court, then onto the BC Court of Appeal, and all the way to the Supreme Court of Canada in 2015. After the VCBC was victorious at the BC Provincial Court in 2012, the club's founder, Ted Smith (no relation to Owen), turned the club into a non-profit society.



L-R: Ted Smith, Owen Smith, Kirk Tousaw after their historic win at the Supreme Court of Canada, 2015. Photo credit: Darren Stone/Times Colonist.

In 2015, the Supreme Court handed down a unanimous ruling that declared cannabis extracts must be legally available for patients with a license from Health Canada.

The Supreme Court decision fundamentally changed how cannabis medicine was perceived by Canadian doctors.

This case was also used by the city of Vancouver to justify the need for dispensaries to exist when the municipality had to defend their licensing bylaws.

In 2014, Health Canada attempted to stop allowing patients to grow their own medicine and force them to purchase all of their medical cannabis products from large Licensed Producers. Health Canada developed the Access to Cannabis for Medical Purposes Regulations (ACMPR) which resulted in a sudden burst of corporate activity that changed the industry dramatically. Within a few years, the Licensed Producers grew into multi-billion dollar companies that established themselves as the experts in medical cannabis through heavy lobbying efforts, and hiring former police officers and other 'retired' government officials.

These LPs were given the authority by Health Canada to be the only legal producers of cannabis medicine for patients. Today, it is evident that many of these corporations had their sights set on the future lucrative recreational market and have little concern for the needs of medical patients. This is evidenced by the lack of available products to patients after the legalization of recreational cannabis because LPs were tasked with producing cannabis for both recreational and medical users.

Ironically it was the legalization of cannabis in States such as Colorado, California and Washington that finally prompted the Canadian federal Liberals to justify ending prohibition in Canada. The discourse presented by the Canadian government was not to focus on providing good quality medicine to those in need, but instead sought to repeat the claim that the government's responsibility in the cannabis industry must be to take profit away from organized crime and to protect children. In 2015 the Liberals swept to power in Ottawa with a mandate to legalize cannabis. Instead of engaging in a lengthy process with the long term stakeholders of the industry to educate the public and take a serious look at all of the issues, the federal government conducted little, very superficial public consultation before rushing into implementation.

Over the 23 years the club has been in existence, the Victoria Cannabis Buyer Club has witnessed dramatic and sweeping changes to the medical cannabis scene, while undergoing several internal transitions that threatened the stability of the club. The VCBC has developed a collective wealth of experience and deep roots in the industry that must not be lost to history as legalization sweeps across Canada. We have established a high quality medical cannabis product line over two decades

and a community of patients bound together by a passionate staff.

Shifting into the new legal scheme will further enhance the club's ability to continue help patients improve their lives with cannabis medicine.



Today, VCBC has over 7,000 members.

Current legal status

On October 17, 2018, the new Cannabis Act came into effect which legalized cannabis federally, though each province has been left to develop different approaches to the massive undertaking of regulating a legal recreational market. In B.C., the NDP government seemed rather unprepared, with only one provincially owned store open on the big day, far less than other provinces like P.E.I. and Newfoundland.

The legal status of the VCBC is likely to remain uncertain for over a year until the regulatory changes that we need are passed.

Since the beginning, the club has operated using the Canadian Charter of Rights and Freedoms as a foundation upon which to

create its mandate and practices. Until fully licensed, the VCBC will continue to require medical documentation for members and relying on the Charter and previous case law to protect the staff and members from prosecution. In particular, the organization is putting conviction behind the strength of the 2015 Smith decision, as the Supreme Court of Canada made it clear that until the full range of cannabis products was available for patients, the laws against cannabis extracts violate the Charter.



VCBC members cannot afford any disruptions to access.

The VCBC obtained a business license from the City of Victoria after passing a re-zoning hearing in early 2018. Council voted to clear the rezoning of 826 Johnson Street because of the VCBC's long standing history and goodwill with the City Council. The only written complaints from the condominium owners next door came from neighbours that were upset to find out there was a dispensary next door after they had purchased their new units, not anything specific that the club was doing to disrupt them. These complaints demonstrated the neighbours had no idea we have been operating quietly in that location since long before their building was built, proving the smoking lounge has little to no negative impact on the surrounding community. Unfortunately his business licence expired in January 2019.

The B.C. Liquor and Cannabis Regulations Branch is controlling the legalization process and Attorney General Mike Farnsworth has been in charge of the creation of this new branch, with much influence from our local NDP MLA, Carol James who is also the Minister of Finance. New inspector positions have been created for the enforcement arm of this crown corporation. These inspectors will have the authority to enter any premises suspected of being used to sell cannabis products without a warrant; seizing anything containing cannabis and giving a fine double their estimated value of the goods taken.

Some local dispensaries have also been rezoned and licensed by the City of Victoria and have applied, or intend on applying, for a provincial license and are continuing to sell the same product line they have offered historically. Others have stopped sales in the hope that the province will quickly process their application and inspection of their facilities. Five months after the declaration of federal legalization and there are only 9 legal recreational stores in the entire province of B.C. According to those who are continuing operations after October 17th, it is on the inspection date of each location that all products must be removed from the store, not the day the application is submitted.

Unless triggered by a complaint from a municipality, it is anticipated these inspectors will be showing some restraint in the early days of legalization but it is unclear how long that caution will hold.

The VCBC will be relying on its strong relationship with the City of Victoria, the club's solid legal foundation, widespread

community support, as well as its vibrant membership and dedicated staff to manoeuvre through these uncharted waters.

Though it will be some time before the club can switch over to the infant legal system, by sticking to our mandate of operating as a patient-based non-profit society we expect the government to respect our work and give this situation time to unfold. Unfortunately his business licence expired in January 2019.

Of course, there is the chance the provincial inspectors will have no patience for our temporary refusal to comply with the laws. We are prepared for at least one more raid in this battle, and will reopen the next day if it does happen, just like we always have.

Perhaps it will take a raid by provincial inspectors for the club to expose how flawed the regulations are, but the club would prefer to work towards complying with the law rather than continue to fight for patient rights in court.

Though the road to full compliance with the law will not be as fast and smooth as many hoped, the Victoria Cannabis Buyers Club expects to be completely legal in the near future.

Hopefully provincial authorities will exercise restraint as the new scheme takes

root, allowing compassion club's like ours some room to continue to operate until the final stages of the transition are complete. We have won many legal battles to get this far, there can be no doubt the VCBC will do whatever it takes to continue to push forward into the future.

Current legal status considerations:

- A business license has been obtained from the City of Victoria by the Victoria Cannabis Buyers Club, after passing a re-zoning hearing in early 2018.
- On Oct 17, 2018, the Cannabis Act federally legalized cannabis but imposed harsh restrictions on access. The VCBC is operating on the conviction of the Smith decision, as the Supreme Court of Canada made it clear in their decision that the full range of cannabis products and extracts must be available for patients.
- The B.C. Liquor and Cannabis Regulations Branch (BCLRB) is controlling the distribution process of legal cannabis. Every province has a different system for regulating cannabis. BC requires all legal cannabis to be produced by Licenced Producers (LP), sold to the BCLRB, and then distributed to legal recreational storefronts for sale to the public.
- Inspectors from the BCLRB will have the authority to enter any premises suspected of selling cannabis products outside of the legal framework and operating without a provincial licence.

- It will be some time before the club can become fully legal but our strategy to overcome this challenge will be to stick to our mandate of operating as a patient-based non-profit society that provides medicine to those who need it most. We hope the government will respect our work and give this situation time to unfold before imposing harsh penalties.
- We are currently operating business as usual, as we have been for the past 23 years.

Finances

Over the 23 years it has existed, the Victoria Cannabis Buyers Club has experienced an economic roller coaster despite selling products that are perceived to be quite lucrative. The varying financial status of the club has created many challenges for all stakeholders. However, the end of 2018 saw a decline in the club's debt, an increase in sales, and renovations and improvements to the club's location and office efficiency.

Daily sales have recently increased 25%. This uptick in sales in the autumn of 2018 can be directly linked to the temporary closure of many dispensaries on the island. The sudden disappearance of cannabis suppliers has brought in many old and new members, pushing sales to just over \$4,500 per day.

At its peak, around the time of the provincial court trial for Owen Smith in 2012, the club was generating about \$6,500 in sales per day, but this slowed down as dispensaries began opening all over town. It is anticipated that sales will continue to increase as the issues with the government's legalization scheme become

more apparent and the market looks elsewhere for a consistent supply of cannabis flower, extracts and topicals.

The reputation and consistent provision of the club's high quality medical products and its commitment to patients will set the club apart in this market through consistency, reliability and integrity.

When the club was turned into a non-profit society in 2012, the organization was in a good fiscal standing and was operating with little debt and a high cash flow. Due to difficulties obtaining traditional funding sources, the club has relied on accepting cannabis products from producers with no money paid until four weeks later or when the goods are sold. This cycle of debt with small scale growers has been the method the club has relied upon to maintain business. There are so many growers willing to wait the extra time for their money and the VCBC has such an excellent reputation that there have only been a few times in the club's history that it has been difficult to keep supply flowing.

After five years as a non-profit society, the VCBC was struggling to deal with a decreasing cash flow as a result of mismanagement and an extended absence by the club's founder. By October 2017, the debt of the club grew to just over \$100,000. Some of this debt included the costs of the zoning requirements from the City of Victoria but were mostly due to excessive staffing levels. With the return of the club's founder, a renewed effort by the staff and some fresh life on the board of directors,

this debt has been brought down to about \$25,000 and is going down fast as each month passes.

For an organization that handles over \$1,000,000 a year in sales, the club actually has a bare minimum invested in assets. Aside from the large safe and computers in the retail location, there is not much value in the fixtures of the store itself and the equipment used in the bakery depreciates quickly. In fact, in 2018 the club managed to finance and rebuild its bakery which was a large scale project that required thousands of dollars in equipment upgrades, supplies and updated security measures.

The combination of unique, high quality products, reasonable prices and investment in the community gives the Victoria Cannabis Buyers Club a solid base upon which to build an even brighter future. If the right strategic partners are found to help with this transformation, then revenue potentials are even greater.

Please refer to the Profit and Loss Statement and Balance Sheet.

Financial considerations:

- Daily sales have increased 25% since November 2017, resulting in \$4,500 in sales per day on average. This increase is largely due to the widespread closure of dispensaries that have shut down across Canada.
- From 2012 to 2017 the club underwent a series of misfortunes due to mismanagement of finances which resulted in the accumulation of over \$100,000 in debt.
- From 2017 to present, the club's debt has been reduced to under

\$25,000 due to restructuring of staffing hours, more efficient workplace systems and a dedication to fiscal responsibility by management.

- On average the club generates over \$1,000,000 in annual sales.
- The VCBC has few assets: bakery equipment, distribution computers, safe, basic office supplies.
- Largest obstacle will be navigating the new legal market and possibly facing fines or court fees for non-compliance

VCBC REVENUE STATEMENT
July 2017 - June 2018

Income

Product Sales	\$1,291,656.78	
Total Income		1,291,656.78

Purchases - Resale Items	630.00	
Total COGS		<u>630.00</u>

Gross Profit		1,291,026.78
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Expenses

Bakery Supplies	57,181.85
Botanical Products	1,654.15
Cannabis Other	3,073.15
Medicinal Supplies	137.25
Smoke Shop Accessories	2,555.99
Joints	524.12
Jars & Medicine Containers	167.98
Supplements	7,490.42
Bakery Expense	3,139.47
Gardening Materials	336.00
Cannabis Purchase	806,041.85
Advertising and Promotion	4,016.88
Bank Service Charges	3,442.32

Computer Expense

Software Expense	4,624.91	
Technical Support	1,514.14	
Computer Parts	630.00	
Computer Expense - Other	1,335.80	
Total Computer Expense		8,104.85

Continuing Education	414.75
Bookkeeping Fees	11,694.51
Fees, Dues and Subscriptions	169.00
Facilities Rental	250.00
Recycling & Disposal Fees	1,202.39
Cleaning/Janitorial/Sundry Item	549.99
Parking Expense	39.00
Rent Bakery	1,400.00
Rent Retail	42,338.35
Security Systems	1,299.17
Insurance Expense	1,350.00
Miscellaneous Expense	1,188.57

Penalties/Interest Expense		127.73
Meals and Entertainment		1,129.64
Staff Benefits		1,673.41
Severance Pay		9,666.80
Groceries		60.56
Office Supplies		3,027.42
Office Expense		4,206.75
Staff Medical Plan		10,470.35
Casual Labour		1,230.33
Postage, Courier, Shipping		5,305.03
Utilities		
Telephone	162.45	
BC Hydro	1,855.81	
Internet & Cable	2,357.21	
Total Utilities		4,375.47
Payroll Expenses		
Bakery Payroll	8,912.25	
Payroll Expenses Retail	298,258.03	
Total Payroll Expenses		307,170.28
Workers Compensation		2,759.10
Repairs & Maintenance Supplies		638.75
Laundry Service		489.00
Medical and Supplement Supplies		933.19
Bakery Supplies		3,185.15
Store Supplies		470.18
Travel Expense		253.25
Total Expense		<u>\$1,316,934.40</u>
Net Income		(25,907.62)

VCBC 09/10/18

Victoria Cannabis Buyers Club Balance Sheet
As of July 2st, 2018 to Sept 7, 2018

Assets

Current Assets

Safe	\$4000
Computer x 3	\$2000
Bakery supplies	\$3000
Bakery equipment	\$2000
Fridge	\$1000

Accounts Receivable \$2000

Inventory \$40,000

Total Assets:
\$54,000

Liabilities

Short Term debt \$56,000

Long Term \$45,000

Total liabilities: \$101,000

Owner's Equity: (-\$47,000)



Processing facility

Since the beginning, the production of high quality cannabis extracts, edible and topical cannabis products has been a key focus of the Victoria Cannabis Buyers

Club. At present, the Cannabis Act imposes many restrictions on cannabis extracts, topicals and consumable products which are central to maintaining the health and well being of many patients' lives. There is currently a gap in the provision of this medicine to users in the legal model which the club plans to continue to fill.

Additionally, the Cannabis Act prohibits retail storefronts like the VCBC's from owning and operating cannabis processing facilities (making cannabis into value added products).

Therefore, we must lobby the government to allow organizations like ours to operate with a vertically integrated model that includes ownership and control of processing and distribution.

Vertical integration of distribution with processing has been central to the VCBC's business model for the past 23 years. Our processing facility, which we refer to as the bakery, is important to us because it allows the club to assure the quality and consistency of products. The bakery makes cannabis products such as cookies, capsules, topicals, and solventless-extracts.



CBD capsules like this will be processed in our cannabis processing facility.

Many of the club's edible and topical products were developed by the late Gayle Quin, who managed the bakery for several years before cancer took her away. As a tribute to her, the board decided to brand the club's product line with her name. Fortunately, we have over 20 years of experience running a bakery and a cookbook full of original recipes which are strategic assets for the future of this business.

The VCBC's primary goal for the next 2 to 5 years is to open a new and separate business focused on processing cannabis that will be 51% owned by the club and co-owned by a range of investors who support our mandate to provide medicine to patients.

The new business will be a cannabis processing facility that will focus on product development and streamlining production with the goal of increasing our ability to meet patients needs more efficiently and on a larger scale.

The future expansion of the club's bakery and extraction facility into a licensed commercial location will be a huge challenge financially and legally. The VCBC is prioritizing the development of this new business as its primary goal because we see this new business as the best method to guarantee the supply of high quality medicinal products for patients. This business venture is a

strategic method of securing the future of the VCBC because it will set our business apart from the market competition due to our vertically integrated, patient centred, socially beneficial non-profit business.

Funding

Our means of funding this new business will be raising capital in the form of 100,000 shares sold at \$10 per share. These shares will be available to members of the club, the general public, and other interested and supporting stakeholders. The shares of the processing facility will be used as a mutually beneficial tool to build strategic partnerships with other local organizations or collectives with similar community health focused mandates.

Our goal is to make these shares as accessible as possible and to bring our community together in a common goal. This investment strategy is estimated to raise \$1,000,000 to begin the licensing and transitioning process of the new processing facility. The bulk of the capital raised will be used to attract more resources, though at least one staff person will be hired to focus on the project.

Sales of these shares will occur on June 11, 2019, which is the anniversary of the Owen Smith decision. Since the club is relying heavily on this unanimous decision by the Supreme Court of Canada, we feel this date is both an important day to celebrate for the club and a good opportunity to remind the government of our victory. For the past few years the club and others have celebrated June 11 as International Medical Marijuana Day.

Strategic Partners

The VCBC has collectively agreed that First Nations bands are our first option for ideal investors and strategic partners in this new business. We will approach several First Nations councils on Vancouver Island to negotiate a lease for a building for the processing facility. This business partnership with a progressive First Nations band interested in working with us would provide economic stimulus for the community that the bakery is located in, would be a source of employment for First Nations individuals, and would provide access to cannabis medicine and an avenue to market participation in this burgeoning cannabis industry.

We will also seek to build strategic partnerships with other community health based organizations. Our goal is to reach out to local First Nations Bands, Safe Injection Sites, cannabis substitution projects, and other local NGOs as ideal strategic and investment partners. We envision a community based organization that works across difference for mutual gain and support. These values are the cornerstone of the VCBC and will be carried forward with this new enterprise.

Lobbying Action Plan

Achieving the goal of opening a new and separate cannabis processing facility requires dedicated effort to lobby the government to change the regulations related to vertical integration of cannabis processing and retail distribution. Our lobbying strategy focuses on two avenues of direction action. The first is to engage in civil disobedience, public rallies, legal actions and meetings with members of the opposition parties which has been our traditional method of achieving political goals. Second, we will develop a lobbying committee who will be responsible for political outreach. The committee will

organize private meetings with key government officials, to network in our industry, to develop a short film that captures the values of the club, and interact with all relevant political parties in advocating for the needs of patients.

The club's bakery is often described as the heart of the VCBC.

The future expansion of the processing facility into a licensed commercial location will be a challenge with massive potential rewards. Without this unique product line designed for patients, the club is not much different than other cannabis retailers. A new and separate company will be able to bring investors and other partners together to secure patient access to cannabis medicine. The challenge to change government regulations for the sake of patient's well-being will be long and arduous, but it is a fight the VCBC has and will continue to fight.

Processing Facility considerations:

- The Cannabis Act prohibits retail storefronts like the VCBC's from owning and operating cannabis processing facilities
- The Cannabis Act imposes many restrictions on cannabis extracts, topicals and consumable products which are central to maintaining the health and well-being of many patients lives.
- Vertical integration of distribution with processing has been central to the VCBC's business model for the past 23 years. The bakery makes cannabis products such as cookies, capsules, topicals, and solventless-

extracts.

- The VCBC's primary goal for moving forward is to open a new and separate business that will be 51% owned by the club and co-owned by a range of investors who support our mandate to provide medicine to patients. The new business will focus on product development and streamlining production with the goal of increasing our ability to meet patients needs more efficiently and on a larger scale.

- The new business will be located on rented land which represents a recurring cost for the club. However, the new business will be supplied with the equipment from the current bakery which will save in initial startup costs.

- First Nations bands are our first option for possible investors and strategic partners. This would provide economic stimulus for the band, employing First Nations individuals in the project and respecting their traditions as much as possible.

- Our immediate solution to fund this new business is to raise capital by selling 100,000 shares at \$10 per share. This investment strategy is estimated to raise \$1,000,000 to begin the licensing and transitioning process.

- Achieving this goal requires dedicated effort to lobby the government to change the regulations related to production and retail distribution. Our lobbying strategy will be to:

- Engage in our traditional method of achieving political goals which includes civil disobedience, public rallies, legal actions and meetings

with members of the opposition parties.

- We will also develop a lobbying committee to organize private meetings with key government officials, network in our industry and interact with all relevant political parties.

Cannabis Supply Options

Traditionally the Victoria Cannabis Buyers Club has primarily relied on direct connections to small-scale cannabis growers for herb and hash to sell, as well as donations of leaf for food and skin products. The club has never produced its own cannabis and we have relied on the expertise, quality and consistency of these local growers's medicine since the founding of our club.

One of the improvements to the regulations the government has promised will be a new category of producers for smaller craft growers that gives retailers another option aside from LPs for purchasing cannabis for sale to recreational consumers. The Micro-production licences are seen as a way to include the growers that established themselves as Designated Growers under the MMAR and ACMPR regulations. Many of the club's current growers hold MMAR and ACMPR licences from Health Canada.

The new category of micro-producers has been promoted as an olive branch to the grassroots movement that fought prohibition. As a long time participant in the cannabis industry that has relied on the expertise of local, small scale growers, it has been distressing to see how

ineffective and slow the federal government has been in licensing more Micro-producers. Most of the club's growers have found it very difficult to transition to the legal system, as the zoning requirements for legal producers are quite inaccessible and difficult for small scale growers to acquire.

In the future it would be ideal for the VCBC to be producing a portion or even most of its own supply of cannabis and would hire our long time growers to do so. One reason the VCBC would like a micro-production license is to be able to use the leaf, trim and stalk of the plant because many of the club's products are made with these cannabis by products. Currently the government does not permit the sale of trim for extracts through Licensed Producers. However, after considering the costs and resources required to open a micro-production company, it became clear that adding production to the organization's current activities was beyond our current capacity.



years.

Many of the current regulations need to be challenged in order for the club to achieve its ultimate potential and provide products at the lowest cost possible. Currently, the

BC regulations for cannabis require flower to first be sold from LPs to the provincial British Columbia Liquor Distribution Branch (BCLDB), and then retail recreational stores must purchase all inventory from the BCLDB. Practically speaking, the biggest change for the Victoria Cannabis Buyers Club in regards to the legal system will be losing its connections to the growers it has worked with for over two decades. While some of the craft growers may be able to obtain a micro-license from the government, most of the club's initial legal supply under this model would have to come from sources that have no direct connection to the organization.

Additionally, the current legal model does not permit a direct connection between producers and retailers, known as vertical integration. This is done in an attempt to stop large corporations from taking over all aspects of the industry. However, in the context of our small scale non-profit organization, vertical integration of processing and retail distribution would allow us to stave off the power and influence of large scale corporate influence. Operating a processing facility, production facility and a distribution outlet under one organizational umbrella would allow the VCBC to integrate our business operations, produce most inventories in-house to reduce costs, as well as ensuring high quality products to our members.

There are many issues facing production in the initial phase of legalization due to the bureaucratic web the government has designed to make obtaining a license for production as difficult as possible.

Therefore, it will be best for the VCBC to focus its energy and resources on the plan to open a new processing facility as opposed to production, and to continue to operate our downtown Victoria retail

operation. Once the club is firmly established in the new legal scheme it will move towards owning its own production facilities when the regulations allow for that.



Stalkenol capsules (pictured) use the whole plant profile.

Cannabis Supply Options considerations:

- Historically, the VCBC has sourced raw materials and inventory from direct connections to small-scale cannabis growers. This includes herb and hash to sell, as well as donations of leaf for food and skin products.
- The Cannabis Act requires cannabis to be produced by large scale Licensed Producers, sold to the Liquor Distribution Branch and then distributed to retail license holders.
- The Micro-production licences the federal government has developed, are seen as a way to include the growers that established themselves as Designated Growers under the MMAR and ACMPR regulations.
- Our focus for the next 2 to 5 years will be on Club control in obtaining licences for processing and retail operations. This will be the best method to concentrate our time, energy and resources.

Future considerations

Many exciting possibilities exist for the Victoria Cannabis Buyers Club once the store and processing facilities are fully licensed. At that time we will be able to provide even more services to patients locally and across the country. Barriers that once curbed the club's potential will have vanished, leaving a wide variety of opportunities open that will improve the health of our members and contributing to the community economically and socially.

Working together with strategic partners and running a non-profit society has many challenges, but ultimately the strength gained by gathering people together to share the work, risks, and revenues is far greater than any profit motivated corporation will ever experience.

Social Engagement

Social events sponsored by the club, such as April 20, will be able to draw new members and increase sales. The VCBC has been one of the few dispensaries to continue to operate and provide patients with cannabis edibles and extracts. This reputation and integrity to service will have a positive influence on our public perception and good will with the community.

Additionally, we plan to increase our presence at community events including health fairs, music festivals, and a float at the Pride Parade. The VCBC has

members from all walks of life, and the club will be in a position to sponsor many activities for members and be represented at many community events.



The latest Cannabis Digest announcing community events.

Few organizations have the diversity and membership commitment that the VCBC has established and we plan on leveraging that goodwill to secure the future of the club.

Tiered Membership Plan (5 to 10 year plan)

In the future when the club is able to open the doors to recreational consumers, sales are expected to at least double in the retail store and even more profits can be expected from our processing operations. This massive shift would allow the VCBC to create a pricing strategy that made recreational consumers' purchases support medical and palliative patients. While we anticipate that a large portion of sales will continue to be to patients when this transition first occurs, over time we expect recreational sales across the country to

grow quickly once our products from the processing facility are made accessible to the public.

In this model recreational users will pay a full price, while medical patients would get a 10% discount, and patients in palliative care would be supplied cannabis medicine at a deep discount. This business model would distinguish the VCBC from other recreational stores because of the social good every purchase would fund. Healthy people will be drawn to the club due to its commitment to patients, high quality medicine for reasonable prices, passionate caring staff and historical significance.

Once the bakery and extraction facility is fully operational, we anticipate sales across the country to rapidly grow. It is easy to assume that within a few years the company will have outgrown its location, at which point the VCBC will likely set up a second bakery in Ontario where the bulk of sales in Canada will occur. With an attached lounge and retail outlet, these cannabis kitchens will become the new model for fully integrated cannabis processing and service delivery.

Long Term Goals (15-20 years)

The Victoria Cannabis Buyers Club's dream project is the creation of cannabis-focused palliative care centres. These holistic end-of-life care facilities would have volunteer managed permaculture gardens and processing equipment, providing medicines as well as food for cancer patients and others requiring high volumes of cannabis extracts. As soon as possible a pilot project will be established to show how this type of program provides a better quality of care for patients in their last days and whether there is a large savings in costs compared

to places that only provide opioids and other prescription drugs.

As well as the cannabis palliative care centres, the Victoria Cannabis Buyers Club will also be doing more over time for the new third category of members, those with later stages of cancer or in palliative care across Canada. Insurance companies and governments should be covering the costs of cannabis medicines to those towards the end of their lives, but in the absence of such assistance the VCBC wants to do its best to fill that gap, especially for the poor. As the public begins to see how our non-profit society is constantly seeking ways to improve its services to the sick and dying, sales to recreational consumers should increase as well.

In the long term, the club plans to work with the craft growers who have supplied the club since the beginning. The VCBC will own and control the license and lease the properties. Years down the road, when the Victoria location is supplied mostly by cannabis grown by the club, there will be an opportunity to sell any excess product on the larger market across the country. These club owned gardens could easily be set-up across the country near the club's processing facilities and lounges.

The VCBC has played such a huge role in the fight to legalize cannabis and there is no doubt the Victoria Cannabis Buyers Club deserves the opportunity to transition into the new legal model without sacrificing the critical services and products it has provided to patients for 23 years.

In the future the VCBC has the opportunity to establish their world-class line of products in stores across the country and beyond, with a special emphasis on helping patients gain access

to high quality, inexpensive cannabis medicines towards the end of their lives. As more people see this vision of the club take form, the future of the Victoria Cannabis Buyers Club looks brighter than anyone can dare to dream.



The VCBC will continue to improve thousands of lives.

Summary

Twenty three years after it was created, the Victoria Cannabis Buyers Club is on the verge of transforming into a completely legal entity as the cannabis industry in Canada develops. There are serious concerns with the initial phase of legalization for recreational use and there will be obstacles for the VCBC to overcome in the near future.

The Strategic Plan 1.0 functions as a road map for stakeholders of the Club to manoeuvre through the complex regulations that will change rapidly over the next six months (January 2019-June 2019). Making choices and acting on decisions that align with the club's strong value-based mandate will support this organization in continuing to be a leader in this industry while preserving our integrity and commitment to patients.

The primary goal of Strategic Plan 1.0 is to invest our spare time, energy and resources into the establishment of a new corporation that will focus on cannabis processing and providing the medicine the club's patients have come to rely on.



Reasonable access to medical cannabis is VCBC's mission.

Future considerations review:

- Lobbying residing politicians and government bureaucrats for regulatory changes will require the VCBC to develop new strategies.
- Once club switches to fully legal scheme, new recreational consumers will pay slightly more than patients and the club will also create a third category for palliative care patients, who will pay even less.
- Community outreach through presence at local events and fairs, float in the Pride Parade, April 20th.
- Once the processing facility is fully operational, we anticipate sales across the country to rapidly grow.
- With an attached lounge and retail outlet, these cannabis kitchens will become the new model for fully integrated cannabis product and service delivery.
- When the club starts to work with its own craft growers, and the VCBC owns and controls the processing license and leases the properties; the club's potential for growth will be unstoppable.
- The Victoria Cannabis Buyers Club's long term dream project is the

creation of cannabis-focused palliative care centres.

The Club's Bakery will be a new business venture that is set to begin development in early 2019. In the summer of 2019 we will develop a Strategic Plan 2.0 that will be a detailed business plan outlining how the processing facility will be financed, structured and established. This new business will ensure a consistent and reliable supply of high-quality, value-added, medical cannabis products to our members and the public without having to source our medicine from third parties.

The intention of dividing these two businesses is to allow the VCBC and the Club's Bakery to separately focus on what they do best. In the case of the VCBC, the primary mandate is to provide accessible medicine and education to patients. The mandate of the processing facility will be to streamline the production of our staple medicinal items and to conduct research and development on new or improved cannabis products for patients.

On June 1, 2019, the Victoria Cannabis Buyers Club will raise capital for this enterprise by selling 49% of the business in the form of 100,000 shares valued at \$10 each. This investment strategy will raise \$1,000,000 for the new corporation to secure an industrial kitchen facility and to meet the requirements of each level of government to become fully legal.

Paramount to the success of the VCBC will be the establishment of strategic partnerships with progressive organizations that see the value in working with us to provide medicinal products directly to marginalized patients. Our goal is to reach out to local First Nations Bands, the Chamber of Commerce, Safe Injection Sites, cannabis substitution projects, and other local

NGOs as ideal strategic and investment partners. The Victoria Cannabis Buyers Club will lay a path forward in this new era by building community alliances and basing our business practices on a patient centric approach.

Our vision for the future is a legal cannabis industry that allows small business vertical integration of producing, processing and distributing cannabis.

As the goodwill of the club grows, its potential to become one of the most influential non-profit societies in Victoria will manifest economical, social and medical benefits that will be filtered back into the community. This will occur by providing accessible cannabis medicine, community outreach, education, and lobbying for collective benefit in cannabis regulation across Canada.

The hopes and dreams of so many people rest on the success of the Victoria Cannabis Buyers Club. The challenges facing the Club in the future will appear as bumps on the road compared to the battles we have already won.

