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MA Dept. of Public Health
99 Chauncy Street
Boston, MA 02111

BY HAND DELIVERY

July 7, 2016

Eric Sheehan, Esq., Interim Bureau Director
Medical Use of Marijuana Program
Massachusetts Department of Public Health
99 Chauncy Street, 11th Floor
Boston, MA 02111

RE: Commonwealth Alternative Care Inc.
Response to RFI dated June 29, 2016

Dear Mr. Sheehan:

Please find the attached exhibits and responses to the Department's Request For Information dated June 29, 2016.

You will find enclosed:

- Lease assignment document between Alternative Care Resource Group and Commonwealth Alternative Care demonstrating evidence of property interest on behalf of the applicant, Commonwealth Alternative Care
- Revised Section E of the Siting Profile with the VARIANCE fields completed
- Section E Rationale behind the following items: Projected Expenses; Total marijuana for medical use sold for the year (in LBS); and Total marijuana for medical use left for roll over (in LBS), specifically the negative inventory in the 3rd fiscal year.

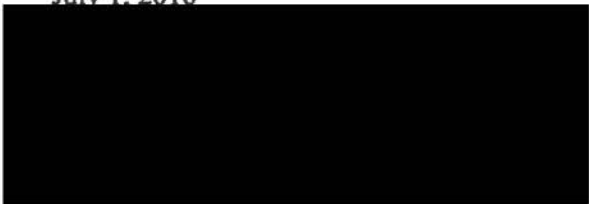
Please feel free to contact me by telephone at [REDACTED]

Very truly yours,

[REDACTED]
CEO/CFO
Commonwealth Alternative Care

**Alternative Care Resource Group LLC
194 Halsted Drive
Hingham MA 02043**

July 1, 2016



RE: 30 Mozzone Boulevard
Taunton MA 02780-3751
Licensed Marijuana Dispensary Location
40,000 sq ft.

ASSIGNMENT and SUBLEASE

Dear Ms. Whalen:

Please accept this letter as a statement of assignment and sublease (“Assignment”) by Alternative Care Resource Group LLC (“ACRG” or “Assignor”) in favor of Commonwealth Alternative Care Inc. (“CAC” or “Assignee”) relative to the real property located at the above-referenced address. Please sign this letter in the space indicated below to indicate your acceptance of the terms and conditions stated herein.

1. Recitals.

Whereas, on or about August 31, 2015, ACRG and 30 Mozzone Boulevard 2013 Realty Trust (“Mozzone Boulevard Trust”) entered into a Lease (“Lease”) relative to premises located at 30 Mozzone Boulevard, Taunton MA 02780-3751 (“Premises”);

Whereas, a copy of the Lease is attached hereto as Exhibit A;

Whereas, Section 6.2 of the Lease permits ACRG to assign and sublease the premises upon the written consent of the Landlord;

Whereas, ACRG seeks to assign and sublease, and CAC seeks to accept such assignment and sublease, as set forth in this Assignment;

Whereas, CAC and ACRG have executed a certain Management Agreement through which CAC has retained ACRG to provide certain services, including application support, real estate, site design, construction management and other services including, but not limited to, providing physical locations suitable for RMD dispensary use;



Whereas, the parties understand and acknowledge that ACRG has incurred, and will continue to incur, substantial costs and risks associated with CAC's establishment and operation of one or more RMD dispensaries;

Whereas, CAC intends to operate a RMD dispensary at the premises using state-of-the-art equipment, fixtures and other characteristics, all of which will be designed, constructed and managed at the premises by ACRG and in compliance with 105 CMR 725.000 et seq.;

Whereas, through the Lease, ACRG has secured the premises, and has assured that the premises are suitable for establishing and operating the RMD contemplated by CAC;

Therefore, the parties hereby execute this Assignment in order to express the terms and conditions upon which CAC will sublease the premises from ACRG.

Upon full execution by the parties, this Lease shall constitute evidence of Assignee's interest in the premises. Furthermore, upon full execution by the parties, this Lease shall constitute a legally enforceable agreement between the ACRG and CAC to negotiate in good faith, and thereafter execute, a standard form sublease agreement reflecting terms and conditions not inconsistent with the regulations and guidances issued from time to time by the Massachusetts Department of Public Health ("DPH").

The parties intend that this Lease be submitted to the Massachusetts Department of Public Health in connection with the application of CAC to establish and operate an RMD dispensary pursuant to 105 CMR 725.000 et seq. The parties intend and anticipate that the Premises will be devoted to said use and purpose.

2. Operative Dates.

Commencement Date: Upon receipt by CAC of a Final Certificate from the Massachusetts Department of Public Health to operate an RMD dispensary at the premises.

Assignment Date: August 31, 2015

Rent Commencement Date: Twenty-one (21) days from the approval of a license to operate a Medical Marijuana Dispensary from the Department of Public Health of the Commonwealth of Massachusetts (the "Commencement Date")



3. Parties.

Assignor: **Alternative Care Resource Group LLC**
194 Halsted Drive
Hingham MA 02043

Assignee: **Commonwealth Alternative Care Inc.**
11 Beacon Street, Suite 720
Boston MA 02108

4. Terms and Conditions.

Description: A portion of a freestanding building consisting of 40,000 square feet +/- 30 Mozzone Boulevard, Taunton MA 02780-3751

Initial Term: Five (5) years

Permitted Use: RMD Dispensary

Rent: Year 1 - \$ 10.00 per sq foot
Year 2 - \$ 11.00 per sq foot
Year 3 - \$ 12.00 per sq foot
Year 4 - \$ 13.00 per sq foot
Year 5 - \$ 14.00 per sq foot

Assignee's Operating Costs: Assignee shall pay all utility expenses, which shall include heat, electric, hot water, telephone, internet and like charges.

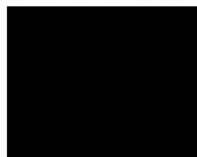
Security: As required by 105 CMR 725.110, Assignee shall be responsible for security at the premises.

Assignor's Obligation: Assignor shall support Assignee in connection with applications for municipal and state permitting and licensing.

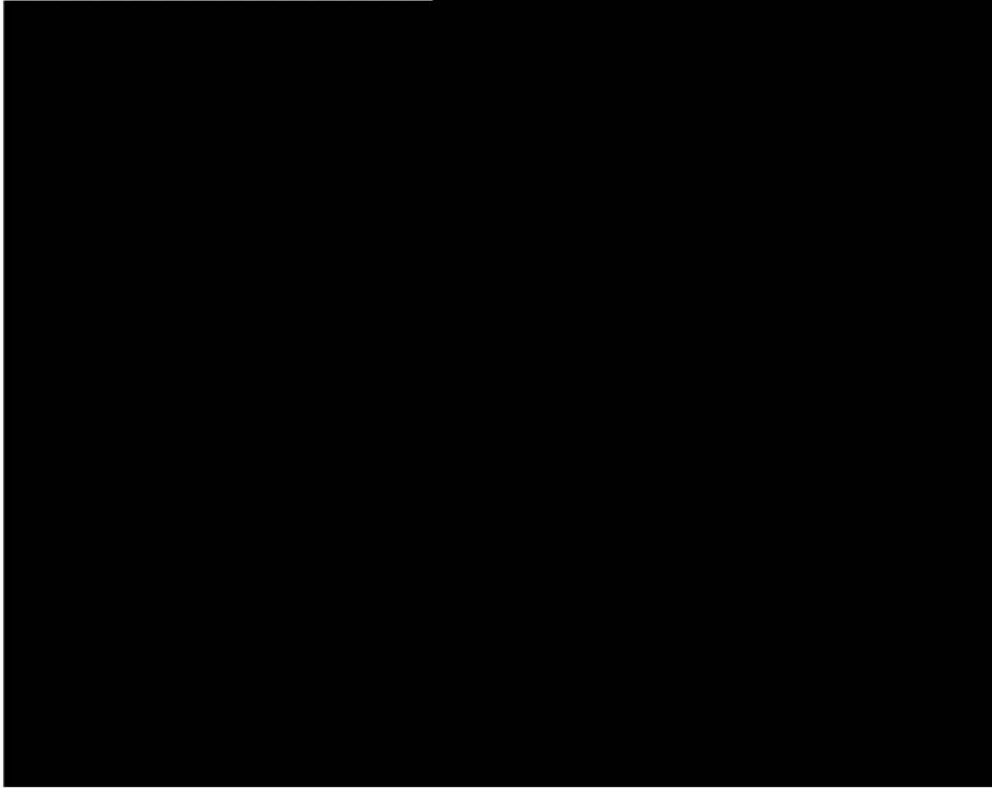
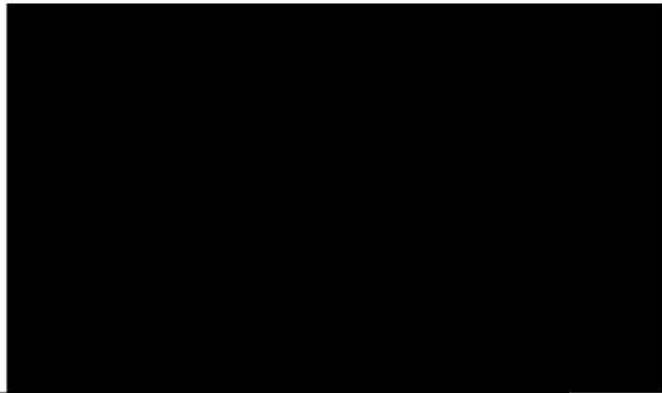
Required Insurance: \$1,000,000.00 general liability per occurrence, annually
\$2,000,000.00 general liability in the aggregate, annually

As required by 105 CMR 725.105(Q)

Nature of the Commitment: This Assignment is binding between the parties, who agree to execute a standard form commercial sublease with terms and conditions not inconsistent with this Assignment.



Please indicate your agreement by signing below. I look forward to working with you as we draft and execute the sublease.



30 MOZZONE BOULEVARD 2013 REALTY TRUST

Consented:
By:
Date:

DocuSigned by:
Dan DaRosa
9081D82FE8B94C6...
Daniel DaRosa, Trustee
7/5/2016 / /



**Commonwealth Alternative Care,
Application 1 of 3**

SECTION E: THREE-YEAR BUSINESS PLAN BUDGET PROJECTIONS

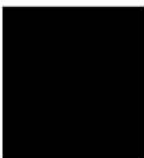
Provide the three-year business plan for the RMD, including revenues and expenses.

Projected Start Date for the First Full Fiscal Year: 01/01/2017

	FIRST FULL FISCAL YEAR PROJECTIONS 20 17	SECOND FULL FISCAL YEAR PROJECTIONS 20 18	THIRD FULL FISCAL YEAR PROJECTIONS 20 20
Projected Revenue	\$ 2,948,000.00	\$ 3,009,600.00	\$ 3,828,000.00
Projected Expenses	\$ 1,025,653.00	\$ 1,025,653.00	\$ 1,025,653.00
VARIANCE:	\$ 1,922,347.00	\$ 1,983,947.00	\$ 2,802,347.00
Number of unique patients for the year	786	892	1,701
Number of patient visits for the year	12	12	12
Projected % of patient growth rate annually	---	88%	52%
Estimated purchased ounces per visit	1 oz	1 oz	1 oz
Estimated cost per ounce	\$ 312	\$ 281	\$ 187
Total FTEs in staffing	10	16	23
Total marijuana for medical use inventory for the year (in lbs.)	880 lbs	880 lbs	880 lbs
Total marijuana for medical use sold for the year (in lbs)	590 lbs	669 lbs	1,276 lbs
Total marijuana for medical use left for roll over (in lbs.)	290 lbs	211 lbs	-396 lbs

Projected date the RMD plans to open: 01/01/2017

Information on this page has been reviewed by the applicant, and where provided by the applicant, is accurate and complete, as indicated by the initials of the authorized signatory here: _____





Question #3 from DPH RFI dated 6/29/16:

- 3. In Section E, please explain the rationale behind the following line items: Projected Expenses; Total marijuana for medical use sold for the year (in LBS); and Total marijuana for medical use left for roll over (in LBS), specifically the negative inventory in the 3rd fiscal year.**

Projected Expenses:

Projected expenses are taken from extensive experience running and operating medical marijuana facilities in Colorado, in addition to other market data. LivFree Holdings executives provide some of the most extensive experience in the industry today, running highly successful vertically integrated companies in the marketplace. LivFree executives have been heads of facilities that produced 10% of Colorado's medical marijuana market and they collectively ran over a dozen dispensaries. A production facility, once open, generally will produce at capacity. The costs to do so are the traditional costs we have experienced operating these facilities in the past.

Total marijuana for medical use sold for the year (in LBS):

The production output will be a function of the size of the facility. The sale of that material will be a function of several factors.

1. The patient count in the marketplace.
2. The price and quality of the product.
3. Patient accessibility to doctors and dispensaries.

The issue of inventory will be addressed below.

Total marijuana for medical use left for roll over (in LBS) specifically the negative inventory in the 3rd fiscal year:

The model holds constant the production of cannabis with variables of patient count and cost of cannabis in the marketplace. The reason production is constant is because once a facility is built it almost always will function at its capacity, and the business will focus on patient acquisition and hold overage in inventory. Inventory will be held in extracted materials for ease of storage and use at a later time. Bulky flower products will likely not be stored.

In year 1 inventory is 880 lbs and a patient count of 786.

By year 3 production has not varied however the Inventory is being reduced by -396 lbs as patient count has risen as a function of the reduction in price and ease of access. Overage or accrued inventory will be managed on a "first in first out" basis.

When the operations start to experience negative inventory, i.e. the reduction of inventory because demand is outstripping production, then this would traditionally be a time when the operator would consider expansion to service the market. If as a market this does not take place, prices would rise in a traditional economic model.

Please see next page





Response continued from previous page:

The model is based upon historical data from other cannabis marketplaces. Caveats of those markets are as follows:

- Newer licenses awarded will be of a larger scale, more sophisticated and production will be increasing overall. Quantity and quality of cannabis will increase and therefore prices will begin to slide.
- Once the price of cannabis falls to a certain point, and access to doctors and dispensaries is increased, the black market will be far less competitive and ultimately nearly eliminated. Therefore the patient count will increase dramatically as cannabis users participate in the superior and legal market. However, the patient count increase model is still conservative to what has been seen in other markets. Also the price decrease in the value of a pound of cannabis is also conservative.
- Prices historically start around 5500 a pound and with enough production can fall as low as 1200 a pound. In this marketplace it is unlikely that prices will fall as quickly as for example, Colorado, as Colorado has over 700 producers and this market will not. However we anticipate prices will fall to \$187 per ounce in year 3.
- Production should be robust to insure higher quality and lower prices. This is ultimately good for the consumer who will be uninsured on the medicine as well as to discourage patients from participating in the black market.

