

## Operating Costs and Margin Profile

Operating Costs Description	Annualized	Percentage
Cost of Energy (electric)	\$ 405,771.51	15.3%
Cost of Gas	\$ 5,322.22	0.2%
Cost of Water/Sewer	\$ 13,521.03	0.5%
Cost of Direct Labor	\$ 1,499,600.53	56.5%
Cost of Nutrients	\$ 447,400.77	16.9%
Cost of Pest Management	\$ 58,979.96	2.2%
Cost of Soils and Grow Media	\$ 45,298.00	1.7%
Cost of Incidentals (see note 3-7)	\$ 176,883.35	6.7%
Totals	\$ 2,652,777.37	
Total Pounds Grown	6,958.00	
Cost per Pound	\$ 381.26	
Cost per Gram	\$ 0.84	
Gross Sales, Flower	\$ 8,244,360.00	
Value Per Pound, Flower	\$ 1,470.37	

**Notes:**

1) This model is based upon actual FY 2016 cultivation costs experienced by Future Vision, Inc., DBA Medicine Man Denver at their 4750 Nome Street Location comprised of approximately 43,000 SF of cultivation and harvest related space.

2) Cannabis Cultivation operating cost modeling has a wide variety of components; mostly depending upon various accounting, tax, debt, real estate, SG&A, and other influencers. In many cases there are multiple profit centers associated with the real estate, capital investment, key officers and directors, and other influencers that should be segregated for cost purposes.

3) For the purpose of this matrix, we have elected to include in our cost modeling 1) cost of energy, 2) cost of water/sewer, 3) cost of direct labor (including both the cultivation as well as harvest team), 4) cost of nutrients, 5) pest management elements, 6) costs of soils and growing media, and 7) cost of consumables (pots, lamps, uniforms, testing, interim supplies, etc.)