



MMJ Labs, LLC

Buzzy® · VibraCool™ · DistrACTION®

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www.buzzyhelps.com

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I. General Company Description

Dr. Amy Baxter, a pediatrician and pain researcher, established MMJ Labs in 2006 to develop reusable, inexpensive products for personal pain control. As a mother of three, Dr. Baxter wanted to find a fast, effective solution to relieve sharp pain. The initial product launched was Buzzy®, a bee-shaped palm sized device combining cold and vibration. When placed between the brain and the pain, the competing stimulus decreases minor sharp pains. Additional products include DistrACTION® cards, which reduce pain through distraction.

Initial efficacy with a prototype was established through a research grant to Georgia State from the Mayday fund. Since the official product launch May 1 2009, over 5,000 hospitals and more than 50,000 users have adopted Buzzy®. Further support of Buzzy for immunizations came from a 1.2M NIH SBIR fast track grant, a Kimberly Clark grant Fall 2010, \$250K from Chase Mission Main Street in 2014 and the prestigious Medical Design Excellence Award. In addition to numerous academic publications supporting Buzzy's efficacy, Dr. Baxter is one of Inc. Magazines Top Women in Tech to Watch, Georgia Bio Most Innovative CEO 2014, and has been featured in the Wall Street Journal.

Corporate Objectives

- To reduce worldwide pain through inexpensive reusable products and research; and
- To be the market leader in topical anesthesia for pain
- Improve worldwide vaccination adherence as evidenced by research and repeat demand by nonprofit, governmental and NGO vaccination programs.
- Develop further modalities for pain relief using cold/vibration technology.

Organization's Strengths

The Team

Amy Baxter, MD

Pediatric Emergency physician and lecturer Amy Baxter's career encompasses projects to relieve pain and suffering, with an expertise in healing, pain, and non-pharmacologic pain relief. She created and validated the BARF nausea scale for children with cancer (Pediatrics 2011;127(6)), and is a recognized international expert on procedural pain. She invented MDEA-Winning Buzzy® physiologic pain blocker and DistrACTION® cards. As CEO and founder of MMJ Labs, she hopes to advance the national dialogue on needlephobia, and free patients from dependence on the healthcare system for pain control. Dr. Baxter wrote and was PI on the initial NIH SBIR Fast Track grant to develop Buzzy, and wrote the initial patents and successful 510K application. National speaking venues include TEDMED, TEDx Peachtree, CONVERGE, AARP@50+, and MakerFaire Bay Area.

Recognition: Inc. Magazine Top Woman in Tech to Watch; 2014 MDDI Top 10 Innovative and Disruptive Women in Healthcare; an "Idea Person" by the Wall Street Journal. Awards include Most Innovative CEO from Ga BIO 2014, Top 10 Most Innovative companies in GA, Chase Small Business Mission Main Street and Kimberly Clark MomInspired grants.

Jennifer Tipping, JD

With 5 years international business development experience, Ms. Tipping has also completed contract negotiation with Amerinet, Novation, McKesson, and handles trademarks for the company. She has established contracts with Vitility Medical Products, Wescue, Kind + Spital, Sparadrap and over 20 international distributors.

Valerie Staffey, RN, MBA

After an MBA specializing in supply chain management, Ms. Staffey has five years in the role of Director of Manufacturing. She has overseen production and regulatory maintenance since the inception of Buzzy, including maintaining QSR, Risk Mitigation, and product development. Responsibilities include oversight of production, returns, and fulfillment center, as well as sourcing and Quality on new products. She found and negotiated contracts with both current US ISO 13485 certified manufacturers, as well as development of the two current Buzzy products.

Amanda Bell-Kirsten MS









Customer Service and retail inside salesperson.

Regulatory and FDA approval

All the components of Buzzy® are FDA Class I. Buzzy was registered as a Class I therapeutic massager in 2008. Canada and Korea have deemed Buzzy Class II – the KFDA approval was issued 2012. CE was granted in 2011. Now that multiple independent studies have been published, the FDA expanded indications for use and assigned a novel product code PHW in August 2014 for the following indications: Control pain associated with injections, venipuncture, IV starts, cosmetic injections and the temporary relief of minor injuries (muscle or tendon aches, splinters and bee stings). Also intended to treat myofascial pain caused by trigger points, restricted motion and muscle tension.

Intellectual Property (IP) protection

A broad-based utility patent platform establishing uniqueness of application from prior art and the non-obvious innovation of cold and vibration together were filed October 2006, issued April 3, 2012 as U.S. Patent No. 8,147,533. Additional patents issued include Great Britain 2455695 4/4/2011, U.S. Patent No. 8740960 issued June 3 2014, and multiple applications in progress for healing, increasing blood flow, and musculoskeletal pain relief. A patent for improving blood flow and healing of injuries was filed 10/13/2015. Trademarks for Buzzy were confirmed March 6, 2007. Additional registered TMs include LadyBuzzy®, VibraCool™, and others.

	Mini – injections, Auto off at 3 minutes	Tourniquet Slot - Healthcare or Buzzy Aches and Injuries– Continuous, 36% larger
Healthcare – More durable design - Includes 4 ice wings (sterilize between patients)	<ul style="list-style-type: none"> Two speeds Use on small areas <ul style="list-style-type: none"> Face (dental, aesthetics, digits) Tuck under tourniquet for phlebotomy    <ul style="list-style-type: none"> Includes One pinch-free strap 	<ul style="list-style-type: none"> Prolonged application (e.g. larger body areas for electrolysis) Phlebotomy Includes Buzzy Pinch-Free straps – thread through slot and secure, or use disposable
Individual/Personal - Single reversible reusable ice wing with soft (less cold) side - Single patient ice wings - Single continuous speed	<ul style="list-style-type: none"> Home injections Home first aid, itching Aches Hold where needed Bring to doctor and hold or tuck under standard tourniquet for blood work   	<ul style="list-style-type: none"> Prolonged application (ice & massage injuries; inflammatory aches; relieves minor aches and pains, leave for 10 minutes, stays on.) One handed procedures on arm May bring for lab draws Includes Velcro Strap  

II. Product Offerings

Products

Buzzy Mini comes in two styles: Healthcare (2 speeds, pad printed, reusable ice wings MSRP 69.95) and Personal (1 speed, label, single patient wings MSRP 39.95). Both are available in three designs: Black, Striped, and LadyBuzz

Buzzy XL has a strap to affix to extremities for pain/aches, or for phlebotomy. It comes in 2 styles: Healthcare (printed, 4 reusable ice packs and straps) or homecare (Velcro strap and non-cleanable reusable single patient wings).



VibraCool™ uses the Buzzy XL platform but is uniquely branded, and launched in 2015 specifically for athletic or overuse injuries. Proposed products will add smart technology to rate pain, count and time reps, remind us to use ice, and communicate with caregivers.

Ancillary products include:

- DistrACTION® cards in 5 different styles
- Neoprene tote to keep ice cold
- Replacement wings and straps.

III. Marketing Research

Pain management is predicted to be a \$60 billion industry by 2015, with half of that in the US. Chronic pain, back pain, and acute injuries make up the majority of the OTC market. The CDC-funded Johnston County Osteoarthritis Project in North Carolina estimates that the lifetime risk of developing knee osteoarthritis that causes pain is 45%. Among those who have had a knee injury, an estimated 57% will develop osteoarthritis; an estimated 60% of people who are obese will develop osteoarthritis.

A subset of pain management is procedural pain, primarily due to injections. Relieving pain from immunizations, injectable medicines, and blood draws would increase adherence and offer a competitive advantage for clinical environments offering a solution, as well as injectable biologics.

A solution that is reusable, fast acting, and easy to use is needed by numerous market channels. Our technology combines high frequency vibration with unique ice packs to deliver effective cold in precise

quantities. With R&D supported by an NIH SBIR Fast track, our products have won the prestigious MDEA award, and are supported by over 18 peer-reviewed clinical trials. MMJ Labs has a CE mark, 510K clearance for acute and chronic pain, and are poised to change the landscape of pain management.

Only \$1.2 billion of the \$60 billion market is currently spent on pain relief medical devices, primarily due to the lack of proven non-invasive options in this market. Research supporting high frequency vibration for chronic and acute pain is on the forefront of pain management in the last 8 years, but no widely available devices employ this method. None combines vibration with the proven anti-inflammatory benefits of cold. A meta-analysis of TENS units show the technology has not been proven effective, and it was removed for chronic lower back pain from the Medicaid rosters in 2012, again opening an opportunity for other modalities.

B2B: Anxiety about needle pain has increased 252% in the past two decades, affecting 24% of adults and 63% of children. Current needle pain products are inadequate, proven ineffective, or available only to healthcare workers. The burgeoning availability of biologics is in direct conflict with this rise in needle fear, as adherence to expensive medications depends on users willing to inject at home. In addition, growth for individualized therapies for allergy injections is hampered by patients' unwillingness to self-inject due to pain and fear.

B2C Home: In the chronic markets, opioid (narcotic) use has doubled in the past 10 years, with increased scrutiny on prescriptions and likely increased regulation on the horizon. Despite this increased need, studies do not show that chronic pain has been well treated even with this increase. A gap and need for new therapeutics is anticipated.

B2C Healthcare: Since 2013, Medicare HCAHP surveys now ask whether patients' pain was controlled. With needle procedures the most common source of inflicted pain, there is now a mandate to address pain on hospital visits. In an effort to decrease costs, multiple home infusion companies compete to provide infusions and outpatient IV therapies.

Demand

B2B: The largest injectable markets are arthritis and diabetes, but cancer, IVF, and hemophilia all have medications with new releases or where injection pain is a competitive issue. Companies about to lose patent (e.g. Abbvie/Humira) may want to offer Buzzy to differentiate and improve adherence, whereas strong patent position companies (e.g. Enbrel) may want to maintain or overtake market position. (See Appendix I)

With the proliferation of infusion groups and home health, an exclusive partnership can enhance competitive advantages to needle-requiring businesses

B2C Home: multiple millions of patients take medications or have frequent medical procedures, either necessary or cosmetic. 25% of adults/63% of children fear needles. Owning a Buzzy per household to address pain of injections makes the investment a viable healthcare purchase for many families.

In addition, pain is ubiquitous in life. Educating consumers that simple icing can be enhanced with vibration, and creating a more comfortable mechanism of doing it, has a ubiquitous market with existing products and wide markets with small amounts of NRE to enhance the current technology. In its current form, Buzzy can address pain of splinters, first aid, and aches on extremities easily. The attachment to shoulder pain and neck pain is more difficult and usually involves placing under garments, but putting the hand-held Buzzy where it hurts makes sense.

At a 10/2013 AARP health pavilion, of 20 health tech companies Buzzy was the #1 “most liked/most loved” based on a survey of attendees. Over 50,000 Buzzies have been purchased online since Buzzy launched, with no advertising. PR has been enthusiastic, supporting the consumer need for this product in pediatrics, and the use in adults and for home aches and pains is growing even without PR.

B2C Healthcare: There are 6,072 US acute care hospitals, 250 free standing pediatric hospitals, with approximate 2.3 million pediatric hospitalizations a year. Without a sales force, Buzzy has been adopted by over 11 systems, with 1200 hospitals or clinics ordering at least one Buzzy. Buzzy is less expensive and faster than current methods for decreasing needle pain. Existing studies prove superiority compared to fast acting cold spray, with a new study coming out this fall demonstrating superiority to the leading topical anesthetic. To improve reimbursement, patient satisfaction, and

increase the ease and tolerability of IV access, simply for the 1.4 billion pediatric and 4 billion vaccinations that are given, Buzzy is an obvious and affordable improvement over current practices.

Competition

Numbing creams EMLA™ (AstraZeneca, \$114M last quarter), LMX4™ (Ferndale Labs), and Synera™ (ZARS/Endo Pharmaceuticals Inc.) lead the topical anesthetic portion of the \$17 billion dollar pain drug market. They require a minimum of 30 minutes to become effective, and cause vasoconstriction increasing IV start difficulty. Two studies prove Buzzy is equivalent to LMX in 1/10 the time.

Expensive electrical current (iontophoresis) or ultrasound devices deliver lidocaine in 10 minutes, but are complicated to apply. If lidocaine is placed incorrectly or another site is chosen, the process and \$10 - \$15 application costs are repeated. A popular sub-freezing cold spray (Pain Ease®, Gebauer) numbs in seconds, but the freezing causes veins to shrink and increases pain in small children, and in 2014 a review recommended against its use for any patient.

The needle pain segment received a boost in 2008 due to a needle pain awareness campaign by [Anesiva®](#) to launch their new single-use compressed air lidocaine delivery system. Zingo™ overcame delay and mess by numbing a small area in minutes. Projecting yearly sales of \$200 million, the company marketed their \$25 disposable product aggressively to nurses along with concurrent television and internet advertising promoting a “pediatric bill of rights” to parents. Their lidocaine formulation was found to be unstable by the FDA and the product was withdrawn. It has recently been reintroduced – despite barriers and dislike in clinical environments due to size, cost, and waste, the market opportunity was deemed sufficient to reintroduce the product.

Barriers to Use

Current solutions do not overcome the logistical barrier of the inability to move the site once lidocaine is applied, or the possibility of vasoconstriction. What is needed is to provide an effective immediately reusable device to the consumer rather than the healthcare provider.

	Treatment itself painful or uncomfortable	Can cause allergic reactions	Can cause veins to constrict	Additional effort required by practioner	Expensive
Lidocane with applicator	✓			✓	✓
Zingo™				✓	✓
Topical anesthetics		✓	✓	✓	✓
Vapocoolant/Cold spray (not currently available)	✓		✓		
Shotblocker (not currently available)	✓			✓	
Buzzy					

The only two non-pharmacologic products to immediately address needle pain included a plastic ShotBlocker® and PainEase® cold spray. The former is a disk with prongs that retails at 8.95. There is no data proving superiority of Shotblocker to placebo; the latter is prescription only with moderate success for older patients, with a cost of \$50/can. There is one vibration-only needle pain device on the market which has no data to support its efficacy (Dental Vibe) and is marketed to the dental community, and there are no devices designed to mitigate the burning of the medications themselves.

B2C Home: There is currently a cold/vibration unit on the market for aches and pains retailing at \$29.95. It is violating the MMJ patent, but due to size, speed, and nature of the cold pack it is not as effective. There are no other vibrating/cold therapy devices on the market for aches and pains. Two ice pack embodiments contain an attachment strap.

Commercial Applications of the Research

A personal use product for home injection of burning medications (arthritis, diabetes) is the largest market overall. The second largest market is households with children, where brought by the parent for pediatric immunization visits is the largest market, thus our research focus for this project.

Consumers spend \$17 billion yearly to combat pain; parents would spend between \$35 and \$80 to prevent the pain of a 4-shot visit.(7, 12) Buzzy has successfully relieved pain for pediatric immunizations, adult immunizations and gamma globulin injections, adult fertility injections, pediatric wound infiltration with lidocaine, and has been formally tested for adult venipuncture. Further commercial development of this technology includes insulin injections, finger stick blood draws, and dermatologic procedures, among others.

Currently sales of Buzzy are highest in Emergency Medicine departments and hospitals, where both cost and time to use are significantly better than market alternatives. Our single biggest sales have been B2B, with large pharma companies buying 1000 units for their patients, and Quest Diagnostics buying 4000 units for their 2000 lab locations.

Innovation

The A_δ sharp pain nerve fibers combine in a final common pathway with the nerves that transmit temperature and vibration senses. This is the “gate theory”,(37) that stimulation of mechanical receptors ‘shuts the gate’ on A_δ fast pain fibers. Typical real world examples include running a burn under cold water, or rubbing a bumped elbow.

The claims allowed by our patent are the device claims of the combination of cold and vibration, and the utility claims of any combination of cold and vibration contacting the skin for pain relief. We developed and successfully tested a device containing a vibrating motor housed in a rounded figure 8 shape which conforms to many body surfaces. The parent or patient holds the device vertically on the arm 2-3 centimeters above the injection, with the cold attached to the back of the vibration housing through an elastic band. When the nurse is ready to stick, the parent activates the motor. The combination of cold and gentle vibration dampens sharp sensations in a 4-5 centimeter area. For venipuncture, a curved cover with holes for a tourniquet slides over the battery compartment, with the cold/vibration end closest to the procedure. The combination of two mechanical sources of pain relief with distraction is innovative. The concept of putting effective pain relief directly in the hands of the consumer is paradigm changing.

IV. Marketing Plan

B2B pharma- Non-adherence costs the pharmaceutical industry 27% of potential profits each year. The estimated annual healthcare cost for non-adherence is nearly \$300 billion and is associated with approximately 125,000 deaths in the US. Drug manufacturers and experts in the industry acknowledge the problem, and that there are many reasons for non-adherence. Needle-pain/phobia are recognized as a specific subcategory. To incentivize their products with physicians, “premiums” must be aligned or relevant promotional items. These are typically budgeted in the \$15 - \$35 per item range, exactly aligning with Buzzy® wholesale costs. In the context of daily injectable costing \$200 to \$1000 a dose, the cost of giving away a Buzzy® is negligible.

This is the single biggest source of revenues for MMJ Labs. At a previous TEDMED, Dr. Baxter met the medical director of Quest, and was able to test the device on him, leading to the adoption of the cold/vibration technology. At the 9/2014 TEDMED, MMJ Labs was showcased, and Dr. Baxter has been invited to give a TEDMED talk on needle fear, leading to NDAs with two major pharma companies making biological medications. We are actively leveraging these relationships in each of the areas of Arthritis, IVF, Diabetes and Hemophilia.

Barriers:

- While the “per item” cost is low, Pharma 2009 rules may have intimidated US partners despite adoption of devices internationally.
- The question of efficacy for their particular indication, and of whether pharmacokinetics change are likely barriers.

Solutions:

- Sunshine reporting laws allow costs <\$125 for physicians, so this route should be permissible. Incorporating units as a starter item for patients could be bundled with other items and partially reimbursed, eliminating concern for coercion.
- Growing appreciation of the barriers of pain and needle fear as therapeutic barriers support the medical necessity of Buzzy.
- MMJ Labs has created educational materials which allow products to be given to physicians and patients, as well as a whitepaper explaining the permissibility.

B2C Healthcare – Buzzy’s value proposition is clear for hospitals – they have a push from regulations to improve the patient experience, and a pull to save money on current products and applications. I fo the 10 Top Children’s hospitals use Buzzy, with three launching system-wide. Two new articles showing the equivalence to the leading topical anesthetic will be published by the end of 2015.

Plan:

- Access hospital administrators directly by attending leadership conferences
- LinkedIn campaigns with recent publications targeting Quality Directors
- Leverage Novation GPO through direct communication and “hot topics” – we will begin mailing Orthopedics VibraCool info and 249 fertility MDs Buzzy information.
- Work with niche-specific hospital distributors in one local (New York area) to see if partnering in an area, e.g. Orthopedics/PT, is more effective than global reach.

B2C Home – Current products get tremendous lift whenever demonstrated on TV, e.g. Shark Tank, Jeff Probst. With VibraCool, however, the relationships with the 5 main pharmacies and the DME market will facilitate direct sales. The device is priced for keystoneing, fills a market need, and has packaging that facilitates easy display. Getting a salesperson for VibraCool and raising awareness of the much more easily understood pain concept is the first step, followed by marketing with Hamacher (a company which actually designs the planograms for pharmacies). This campaign will cost \$5000.

B2C Healthcare Chains – The Quest Diagnostic purchase was the single biggest purchase. Internal sales will target healthcare areas which have already purchased Buzzy offering brochures, while Dr. Baxter continues building relationships primarily in the Dialysis, Vein Sclerotherapy, and Lab chains. In addition, Buzzy is being considered by a needle-less vaccine delivery system that nonetheless causes pain, and negotiations will commence in January with a 100M international diabetes distribution partner.

Barriers to Overcome for Market Acceptance

Knowledge of product: Buzzy is a disruptive solution, as patients are not used to taking pain relief into their own hands. Until individual patients clamor for Buzzy, the B2C solutions apart from flu shot distribution will be more difficult to pursue.

Solutions:

- Publication of study results, presentation of study results at national conferences, booths at Pain Meetings and national nursing, Allergy and Immunology, and dermatology meetings.
- Increasing visibility with consumers using awards and contests: Buzzy has won the MomInspired grant from Huggies (\$15K), the 2011 MDEA for Over the Counter and Self-Care products, and the 2010 Finalist for the IDEA award, and the CHASE Mission Small business award, as well as appearing on Shark Tank
- Licensing the adult VibraCool version to a retailer in the cold therapy pain section while keeping Buzzy® trademark for child focused uses.
- Internet marketing to niche groups through websites and online support groups. New mother web sites (Babycenter.com, parents.com, and kidshealth.com), infertility web sites, diabetes and pediatric pain are often visited resources for parents and those newly diagnosed.
- Partnering with Striker fitness and athletic center.
- Web-based selling by becoming a highly rated reference website on needle pain management issues and information about needle pain. We launched the new BuzzyHelps site 10/2015, the VibraCool site independently 9/2015, and are now actively pursuing holiday gift guides and blogger reviews for VibraCool.

We attended MEDTRADE and will be attending our first Orthopedic conference in 2016.

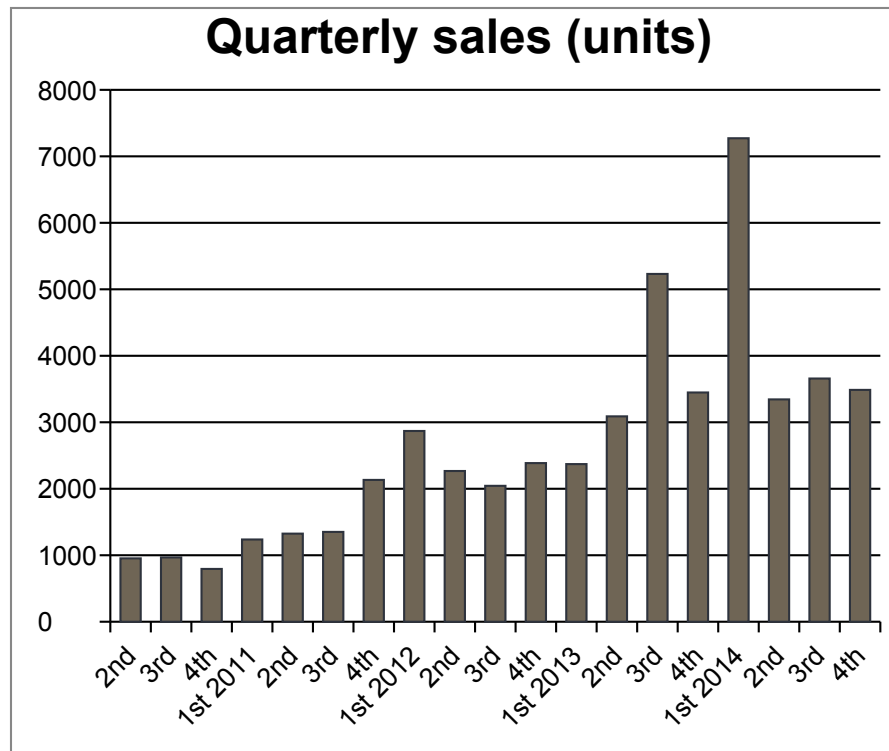
V. Financial Plan

From the inception of MMJ Labs, all research & development and entrepreneurial work has been academic grant or self-funded. This includes legal advice, patent and trademark filings, website development and launch, initial prototype development, creation of Rapid Prototype models in stereo lithography (vapor polished and wired), detailed Computer Aided Design drawings, and travel for industrial design company evaluation and selection. Additional funding sources include:

- 1.1M SBIR Fast track issued 2009-2012.
- \$250K Chase Mission Small Business
- \$125K Chase Line of Credit

Organic growth for Buzzy has been steadily, and projections show that MMJLabs will continue to experience steady growth. The “As Is” projections below show the expected revenue and expenses over the next three years if MMJLabs maintains the same capital structure and does not seek outside investment.

Strategic Alliances: Currently MMJ Labs has distribution agreements with Novation, MarketLab, SmileMakers, and Walgreens Online. We have strategic alliances with dLife diabetes lifestyle website, Platelet Disorder Support Association, and multiple pediatric arthritis groups. For orthopedic markets, we are distributed by Accelleron as an adjunct for injections. We are in 23 countries, with distributorships signing contracts in South Korea (MirrTech) and Sweden (Kind + Spital). The concept of cold and vibration for orthopedic and muscular pain relief has been extremely well received by the contacts we have developed over the past 5 years with our needle pain device. We anticipate fast uptake for distribution through these markets.



For broader distribution, we anticipate licensing the technology and design to an established consumer healthcare company. We have an NDA in place with one consumer healthcare company in the healthcare surgery lidocaine delivery space. We are in non-confidential discussions with one large consumer healthcare company about how VibraCool could augment their OTC oral pain relief products. We were asked by a large pharma/consumer health company, as one of their entrepreneur partners, to prepare a deck detailing how VibraCool technology could broaden past their oral pain market to OTC devices. The VA has completed a trial with VibraCool/buzzy for plantar fasciitis, and found that 8/10 patients experienced relief of pain, with an increase in pain free days. The two who did not find relief had sciatica and (per the investigator) an ongoing disability claim that the investigator felt limited her reliability. Active discussions with all three healthcare companies continue. Another 1.3M NIH grant will be submitted to evaluate VibraCool for knee replacement in 1/5/2016.

Assumptions for the “As Is” Projections for MMJLabs

Revenue Assumptions:

Year 2014

- Revenues continue at same pace as the average monthly revenues, without the bump in sales due to Shark Tank or the Quest sale.
- Revenues dip slightly in the summer months and increase very slightly in the fall.

Year 2015

- Revenues increase from 2014 levels by 36%.
- Distribution – Home Sale Buzzies are reduced, but are offset by an equal increase in Retail Buzzies
- The bumps from Shark Tank and Quest the previous year are spread over two smaller bumps in Retail Buzzies and Distributor/Wholesale Healthcare Buzzies.

Year 2016

- Revenues increase from 2015 levels by 20%
- Seasonal variations and bumps remain the same as 2015.

Year 2017

- Revenues increase from 2016 levels by 20%
- Seasonal variations and bumps remain the same as 2016.



	2014 Budget	Margin	2015 Budget	Margin	2016 Budget	Margin	2017 Budget	Margin
Cash Flow Statement								
Net Income	293,807		160,139		260,625		398,578	
Plus: Depreciation	1,615		1,589		1,589		1,589	
Less: Increase in Working Capital								
Cash from Operations	295,422		161,728		262,214		400,167	
Capital Expenditures								
(Increase)/Decrease in Inventory	(261,616)		(12,365)		(12,328)		(32,222)	
Increase/(Decrease) in AP	(36,333)		(4,209)					
Increase/(Decrease) in Credit Card	(1,776)							
Increase/(Decrease) in LOC	16,640		(25,000)					
Increase/(Decrease) in A/P Other	(24,722)							
Increase/(Decrease) in Excel Payable	(9,502)							
Increase/(Decrease) in Equity*	(33,097)		(82,266)		(72,975)		(11,602)	
Cash from Financing	(241,401)		(890)		(85,303)		(243,824)	
Change in Cash	54,021		162,619		76,911		56,343	
Beginning Cash	2,610		86,631		229,250		306,161	
Ending Cash	86,631		229,250		306,161		362,504	

Expense Assumptions and Explanations

Year 2014

- Amy's salary in Research & Development – no guaranteed partner payments for June – August and starting back in September – December but reduced to \$3,000
- Budgeted for rent of \$2,500 to start in September with an additional \$1,000 in office costs for the move to new warehouse.
- TedMed is budgeted for September for exhibit and travel
- Budget for legal (patents and trademarks) \$5,000 and web site upgrades of \$3,000 are budgeted for November and December.
- A board meeting in November is added for \$5,000
- Small sales commissions are added in December (5% of 1/3 of the wholesale and distribution sales)

Year 2015

- Expenses in Manufacturing increased by 5% from 2014
- Expenses in Regulatory increased by 5% from 2014
- Research and Development are increased by 5%
- Administrative expenses increased by 5%
- Web site expenses increased in November to \$5,000
- Three board meetings are added at \$5,000 each

- Marketing and PR – Salary for a full time marketing person at \$50,000 is added in January, the rest of the marketing expenses mirror 2014 costs plus 5% for inflation
- Sales commissions are added quarterly for 5% of 1/3 of wholesale and distribution sales

Year 2016

- All expenses for 2015 are increased by 10%

Year 2017

- All expenses for 2016 are increased by 10%

Cash Flow

- After a decrease in inventory for 2015 (and the corresponding increase in cash flow), inventory is increased for 2016 and 2017 to handle the increase in sales
- Owner's Equity is reduced by the distributions to owners to cover tax liability
- Line of Credit of \$125,000 is scheduled to be paid off by the end of 2015

“What If” Scenario – Outside Capital

Our team developed a “What If” scenario that has a capital infusion for a marketing and sales expansion. The strategy is a focus on sales to B2B and B2C markets with a high-powered sales force familiar with the industry. The influx of capital of approximately \$1 million would provide the funds needed to properly market Buzzy, and build the infrastructure to handle the increase in sales volume.

HR – Total \$600,000 + 18% benefits = \$708,000

B2B outreach requires sophisticated sales approach to C-level and VP level decision-makers to frame the value proposition, support and communicate medical efficacy, and educate to the importance of needle pain relief. One salesperson familiar with the pharmaceutical and medical markets to establish connections and facilitate Dr. Baxter's involvement would be required at a minimum. An anticipated \$80K/year with commissions of 5 – 20% would be anticipated for total of \$150,000. (National VP Sales Candidate already identified)

B2C Healthcare outreach could be accomplished in multiple ways. While MMJ already partners with Amerinet and McKesson, and have been invited to the Novation Innovative Technology Expo, an internal sales person to coordinate reps, keep partners up to date, and support requests is needed. We have an excellent internal sales support person for our international sales, but the US market needs a similar person. Internal Sales Domestic: \$50,000.

Marketing: MMJ have over 9,000 emails from customers, and 6,000 from trade shows. A medical marketing expert, likely at half-time, would be able to leverage these customers, inform them of new uses, and provide collateral to allow practitioners to reach out to patients who would benefit from Buzzy at home. \$40,000 for half time. (Candidate already identified)

Leadership: A COO is needed to coordinate financial status, projects, and managing staff and sales. \$150,000. Bill Rhodes, former VP Becton Dickenson, is willing to be on a board for \$8K.

Existing Staff: CEO/Founder: \$150,000 (needed) Director Manufacturing and International Business Development: needs \$30K for competitive salary

Collateral & Infrastructure: \$174,000

Currently we employ one website with entry portals for healthcare, pediatric use, and adult use. We need multiple web pages dedicated to each, with a fourth webpage specifically for B2B sales and support. \$10,000

Tradeshows and advertising outreach in 3 healthcare venues: \$10,000 each = \$30,000

Videos explaining the disruptive concepts and packaging of education videos into a DVD for new hospitals or clinics are needed. An Epiphio video, with 1:30 B-roll and 30 second short would cost \$25,000. Collating existing educational collateral into a reproducible DVD would be \$5000.

Brochures for each indication, rather than a multipurpose brochure, are needed. We anticipate Dermatology, Sports/physical therapy, Hospital, Home Pediatric, and Home Adult. \$4,000

Packaging for B2B and healthcare is sufficient. To approach OTC markets, the design is complete for the box but both graphic design and production are needed. \$20,000

Desks, computers, telephones for new hires: \$6,000

Rent and utilities for office space/year: \$36,000

Legal support for new patent filing and international TM/Patent: \$14,000

Travel for sales staff: \$2k/month = \$24,000

Total: \$890,000 with anticipated additional sales requiring \$110K of new inventory.



Buzzy
DRUG FREE PAIN RELIEF®

MMJ Labs, LLC
Budget Projections Summary
"What If" Version

11/18/2014

	2014 Budget	Margin	2015 Budget	Margin	2016 Budget	Margin	2017 Budget	Margin
Revenues								
Sales	94,549		105,880		141,856		168,827	
Cost of Goods Sold	(804,632)		(779,524)		(1,253,116)		(2,290,761)	
	89,917	62%	1,278,356	62%	1,161,740	63%	1,599,066	61%
Grant Revenue	250,000							
Other Revenue	108							
Total Revenues	40,025		1,278,356		1,161,740		1,599,066	
Expenses								
Manufacturing Expenses	34,680		39,703		46,674		54,341	
Regulatory Expenses	35,668		38,503		45,354		52,889	
Research & Development Exp	23,465		205,797		226,376		249,014	
Admin. Expenses	93,174		226,208		248,913		266,980	
Marketing and Promotion Expenses	105,160		93,776		113,154		134,469	
Sales Expenses	32,457		16,811		64,565		52,165	
	44,603		1,080,798		1,205,035		1,369,858	
Less: Amortization	1,615		1,589		1,589		1,589	
Net Income	293,807		195,969		95,116		229,209	
Balance Sheet								
Cash	6,631		274,693		748,414		139,481	
Inventory	37,022		15,552		31,104		46,656	
Accounts Receivable								
Current Assets	503,652		1,490,245		1,179,518		1,786,137	
Fixed Assets	3,755		3,755		3,755		3,755	
Less: Accumulated Depreciation	(6,755)		(6,755)		(6,755)		(6,755)	
Net Fixed Assets	(0)		(0)		(0)		(0)	
Other Assets (Net Patent)	5,778		4,189		2,600		1,012	
Total Assets	19,430		1,504,434		1,192,117		1,797,149	
Accounts Payable	698							
Line of Credit	25,000							
Total Liabilities	28,698							
Outside Equity								
Owners Equity	8,608		96,342		228,909		104,731	
Retained Earnings	12,124		108,093		463,207		1,692,418	
Total Equity	890,731		1,504,434		1,192,117		1,797,149	
Total Liab. & Equity	19,430		1,504,434		1,192,117		1,797,149	



MMJ Labs, LLC
Budget Projections Summary
"What If" Version

11/18/2014

	2014 Budget	Margin	2015 Budget	Margin	2016 Budget	Margin	2017 Budget	Margin
Cash Flow Statement								
Net Income	193,807		195,969		155,116		229,209	
Plus: Depreciation	1,615		1,589		1,589		1,589	
Less: Increase in Working Capital								
Cash from Operations	195,422		197,558		156,705		230,798	
Capital Expenditures								
(Increase)/Decrease in Inventory	(261,616)		(21,980)		(215,552)		(215,552)	
Increase/(Decrease) in AP	36,333		(4,209)					
Increase/(Decrease) in Credit Card	1,776							
Increase/(Decrease) in LOC	16,640		(25,000)					
Increase/(Decrease) in AP Other	(24,722)							
Increase/(Decrease) in Excel Payable	9,502							
Increase/(Decrease) in Equity*	(33,097)		17,734		(267,432)		(624,178)	
Cash from Financing	(241,401)		10,505		(482,984)		(839,730)	
Change in Cash	54,021		208,063		73,720		391,067	
Beginning Cash	2,610		6,631		1,274,693		1,748,414	
Ending Cash	6,631		274,693		1,748,414		3,139,481	