



Gary Christenson, Mayor

CANNABIS LICENSING AND ENFORCEMENT COMMISSION  
Malden Police Department Community Room, 800 Eastern Avenue, Malden, MA  
Wednesday, August 21, 2019 at 5 PM

### Committee Members in Attendance

√	Ron Hogan, Chair	Finance
√	Kevin Molis	Chief of Police
√	Nelson Miller	Bldg. Commissioner
√	Diana Jeong	Mayor's Appt.
√	Jenelle DeVits	Council Appt.
√	Kathleen Manning Hall	Clerk <i>Non-voting mem.</i>

*Also in attendance:* Ward 8 Councillor Jadeane Sica, Malden resident Warren Lynch and another resident.

### MINUTES

- 1. Roll Call of Committee members.** Meeting was called to order at 5 PM and there was a quorum sufficient to conduct business.
- 2. CLEC Applicant Presentations and Interviews.**

### (1) 5-6 PM: Interview of The Frosty Nug Proposed location: 639 Broadway, Malden

*Representing The Frosty Nug:*

- Jack Hudson, Consultant (has a Consultant Agreement), resides in Provincetown, RI. CEO of first medical marijuana operations in Quincy, MA ("Ermont"); will remain Chairman of the Board after consulting agreement ends. Will provide startup expertise including taxes, payroll, insurance, etc. Is an expert in CCC Regulations.
- Brian Belts, Owner, will be full time, has approval for social equity which means that the CCC will provide interest free loans, sweat equity.
- Guy Compagnone, Contractor – partner of Molly Pidgeon who will design building.
- Jordan Shapiro, Malden Attorney. All members of the team are gay men who have worked together before and are a great team. Will submit a comparison chart of all candidates who came before the Malden CLEC.
- Michael Gettings, Owner, CFO, Financial expert, will be full time; will provide IT functions.
- Brendan Cavanaugh, Security expert; 20 years of experience.
- Dominick Garibaldi, Owner, CEO, resides in Newburyport, podiatrist, investor, almost full time; has prescribed marijuana to patients.

**Location:** 639 Broadway, Malden. Building is 2,700 square feet. Have signatures of support from abutters.

- There was some confusion regarding the lease. Building owner believed that Frosty Nug had canceled their appointment before the CLEC so he emailed the City that he would no longer lease to them, but then reversed course. *The CLEC had rescheduled the appointment.*
- Landlord – Giannelli Properties has entered into a lease as of today.
- Frosty Nug will buy out the current tenant, Kol's pizza.
- They have entered an Asset Agreement with a neighboring abutter to obtain more parking spaces.
- There is an existing office space within the building being used so they may not be in compliance with the ordinance that building has to be the primary use of the space.
- Are leasing 40 parking spaces from the bowling alley, may have to get a variance as parking is required on the property. Scott Thornton Engineering came out to assist with parking – they will need 56 dedicated spots. Lease for 26, have 25 on lot, and 30 from bowling alley is a total of 81. Will have a parking attendant and a separate entrance and exit points. Will have a traffic detail during peak hours.
- There will be a fenced off area for deliveries and security guard to greet, gates will be locked.
- Frosty Nug has applied for a license in Beverly as well; Malden is their priority.

**Buildout Costs:** \$625,000 - have a local bank and \$0 debt.

**Customer Experience:**

- Desire a positive customer experience. Are aiming for a coffee shop vibe and will distinguish themselves from others like Garden Remedies who sells medical marijuana only. They will also provide medical marijuana.
- Will take online reservations, email customer when package is ready for pickup. Will have a video playing in the store of the process.
- For a period of two years, social equity candidates are allowed to deliver product to other communities and Malden would receive the tax benefit. Our ordinance does not allow for this.
- ID scanning packages – Tokenworks – customers are scanned at the door, software prompts questions of customer to verify identification. At point of sale scanned again. Considering facial recognition software as another option. Will ensure customers are not looping.
- Will have overflow space for customers.
- Will have 9 point of sale locations, have an area for expansion to add more.
- Will have debit and cash transactions.

**Security Plan:** Compliance and transparency is core of business. Capex Security Company will monitor 24 hours per day. Quality video with watermarks, can access remotely. Will be in sync with the state. Database on site, but copies will go to the cloud.

**Ownership:** \$1.9M in cash assets. Have \$650,000 loan against assets they own that lent money to Frosty Nug and possibly another \$300,000.

- 50% Michael Gettings
- 25% Brian Belts – social equity candidate
- 25% Brian Belts

**Supplier:** Are currently in talks with nine growers. They are talking with 10 suppliers including Commonwealth Care and Wicked Farms. Have filed a 2018 tax return.

**Employees:** Will aim to hire 50% Malden residents; will pay \$16 per hour to start. Want to have 36 employees. Peak times will have 9 full time budtenders.

**Sales Projections:** Estimate that sales in MA will be similar to the Washington market. \$500,000 per month is what they anticipate, maybe a little higher depending on market saturation.

**Giving Back to the Community:**

- Will donate \$25,000 to a charity decided by City of Malden.
- Education to the community – will have community sessions with people to provide mentoring onsite. Have met with Paul Hammersley of MOA to coordinate messages. Will have MOA materials in their store.
- Will offer Internships want to be a social equity provider to help others get established in the business.
- Will hire a diverse group of employees including LGBTQ, veterans, and individuals with disabilities.
- They will encourage employees to volunteer for community service.

**(2) 6-7 PM: Craft Cultivation Group**  
**Proposed location: 1130 Eastern Ave.**

*Representing Craft Cultivation Group: Retail, Manufacturing, Lab are seeking to obtain “Vertical Integration” – controls every part of their business.*

- Robert Heffernan, Jr., General Manager, formed Organic Waste Management with his son.
- Robert Heffernan, III, Robert’s son, involved in IT; will be full time employee.
- Laura Heffernan, daughter-in-law; administrative/human resources; will be full time employee.
- Jaime Crumb, lives in Maine. Will be COO. Operates cultivation/extraction business in Maine for six years. Knows how the business works. Plans to be a full-time employee, has a condo in the Malden.
- Nico Varano, BC business grad; finance major; will handle finances; works with a venture capital firm in MA.
- Scott Jenkins, security expert (*was on the team for Center Harvest as well*)
- Steven Heffernan, younger son, will be full time employee.

**Location:** 1130 Eastern Ave.

- Are currently running a recycling, paper destruction business out of the building. Building was built by Robert’s grandfather in 1964 and was later leased by JRM. Market volatility has caused recycling business to tank. Decided to move forward with Cannabis business as an opportunity.
- Parking: 13 spots at their building. Need to have 21 spots. Have signed Letter of intent in hand security spots at adjacent lot contingent on obtaining a special permit. Has had conversations with adjacent lots to see if they could obtain with additional parking.
- For Retail – customers would enter through main egress. Plan to have 1,200 square feet – lower floor will have offices.

- Cultivation – will have small batch cultivation; sustainable with zero waste; efficient lighting; well-being of plants; all organic. More labor intensive to grow organically. Must have a clean and sterile environment, contamination zone, etc.; will have sustainable packaging. Will have identification packaging of all product. Seed to sale – all parts of the plant are used. Plan to have 11,000 square feet for cultivation.
- Manufacturing – desire their own branded product; propose 1,900 square feet for this.

If all three permits were not granted, they would consider what they were granted. They hope to provide the rest of the information to make this business model work.

**Buildout Costs:** Will completely renovate the 12,500 square foot building. Plan to add a second level to have 25,000 square feet of space. Not sure if the parking is the required amount. Buildout costs will be approximately \$2,000,000 which will include refurbishing of the building, engineering, HVAC, equipment, etc. CLEC would like to better understand the funds.

**Customer Experience:** Customers to enter through main egress and will be scanned. Will receive pamphlets for education. Have customer agreements that all customers will sign. Will be greeted by a service rep.

- Will have 7 point of sale locations. Customers will be rescanned upon purchase. There will be 10 registers.
- Online pickups will also need to be scanned.
- Estimate 300 customers per day. Average spent is \$107 per person per visit.
- Hours are 9 to 5 as far as cultivation.

**Security Plan:** Cameras will be installed all around facility. No outside sources bringing in product. One guard at the entry and exit. Cameras will be in grow room. Plan for foot traffic.

**Ownership:** Have a line of credit currently.

- Company is owned by Joanne Piantedosi, sole director – cousin of Malden business owner. Has stage 4 colon and liver cancer and is a believer of marijuana for medical reasons. Leah is Joanne’s daughter whose name is on the two-year lease. No sublease yet to Craft Cultivation. Robert will clean this up.
- Nick Varano has ownership.
- Robert Heffernan – *they have not determined ownership yet. Robert will have 7%.*

CLEC needs to see breakdown of ownership and a final draft of the bylaws.

**Supplier:** They will grow high-quality cannabis. They will sell wholesale to retail store and other entities in MA. They may eventually sell other suppliers’ product that is not organically grown which will cost less. It will take 3-4 months before they can sell their own grown product. Flower, pre-rolls, edibles – they will not make those; will sell concentrates, etc., and paraphernalia.

**Employees:** Will have a chief compliance officer on staff at all times. Hope to hire at least 50% of Malden residents. Anticipate 36 initially.

**Sales Projections:** They anticipate \$12M per year, including all aspects:

- Wholesale \$18,000,00;
- Retail \$12,000,000; and
- Lab \$4,200,000

Over 5 years anticipate providing \$3.2M to the City.

**Giving Back to the Community:**

- They want to educate the community about effects of cannabis and use it responsibly. Will contribute to Malden based nonprofits.

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**3. New Business:** Kathleen will send all follow up questions suggested by Janelle at the July 24<sup>th</sup> meeting to all applicants as soon as possible.

**4. Review and approval of July 24, 2019 Minutes.** Motion by Diana Jeong to approve the Minutes of July 24, 2019, seconded by Jenelle DeVits and approved unanimously.

**5. Next meeting:** July 28, 2019 at Malden Police Station Community Room.

**6.** Motion to adjourn at 8 PM by Nelson Miller and seconded by Jenelle DeVits. All in favor, meeting adjourned.