



Now Licensed to Operate 10 Dispensaries showing positive cash flow in New Mexico, Ultra Health is well positioned in the Growing Medical Cannabis Market



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CEOCFO: Mr. Rodriguez, would you just give us some background on Ultra Health®?

Mr. Rodriguez: Ultra Health is a licensed cannabis operator. It has the largest market share of any cannabis program in a state program. Our

primary market is New Mexico. We have ten locations open and five more that are completed or near completion, awaiting designation from the New Mexico Department of Health. We do an estimated future run rate about eighteen to twenty million dollars in sales and we have fifteen percent of the market share in New Mexico.

CEOCFO: Your site indicates, “Nature + Science = Health.” How does that work at Ultra Health?

Mr. Rodriguez: The best explanation would be that the core product that we deliver is cannabis, which is a naturally occurring plant. It is very holistic and has been used for thousands of years. It been used for remedies, relief, treatments and protocols. Within cannabis itself it has somewhere greater than eighty plus cannabinoids, which are compounds found within cannabis. Those cannabinoids have various benefits. They can work separately or jointly. It is known as the entourage effect when they work combined. Increasingly, science is teaching us how to best utilize the cannabinoids. Therefore, the science is for perfecting and extending cannabis to be used by patients. It is a natural herbal holistic medicine that is increasingly taking on a very scientific turn.

CEOCFO: How close to mainstream is it today? Are people accepting? Are physicians?

Mr. Rodriguez: I think it is well understood now that when it comes particularly to medical cannabis we now have twenty nine states that have advocated and adopted laws that fully allows the full use of cannabis for medically related care. When it comes to popular opinion or polls on medical cannabis, somewhere greater than ninety percent of Americans say they support the use of medical cannabis and it almost unanimous at one hundred percent when asked under the guidance of a physician. Therefore, there is broad acceptance of the use of medical cannabis across the country. As to the social use of cannabis, we now have nine states that have fully adopted the adult use of cannabis, by adults, outside of even the medical arena. There are a series of half a dozen states that are likely to adopt it over the next year or two. However, in California coming onboard January 1, you could readily say that there is a large percent of the US population, particularly in the west, because it appears to be right now more of a western phenomenon with states like Nevada, California, Oregon and Washington, as well as Arizona and New Mexico, where clearly a large segment of the US population also supports the legal, social use of cannabis. The regular use of cannabis is no different than alcohol or tobacco. A recent national study indicates that greater than sixty percent of Americans support the complete legalization of cannabis in the US.

CEOCFO: *Would you tell us about how it works in New Mexico and where Ultra Health fits into the whole picture?*

Mr. Rodriguez: Cannabis in New Mexico is allowed for medical use. The state has identified twenty one conditions. Now fifty-two thousand patients have been certified, which allows them to access licensed dispensaries. In New Mexico there are thirty five licensed producers. These licensed producers have the power specifically to possess, produce, distribute and dispense cannabis in New Mexico to qualified patients. These thirty five producers can operate zero to unlimited number of dispensaries as long as each dispensary is properly designated by the New Mexico Department of Health. We operate ten facilities now in New Mexico and our goal is to operate thirty one within the next twelve to twenty four months.

CEOCFO: *Why thirty one? Is it just locations that make that number?*

Mr. Rodriguez: New Mexico has kind of a unique population. Unlike most states, we are a highly rural population. Two thirds of our population state wide exists in what we would typically call rural communities and only about one third of the state's population live in the urban areas. Therefore, we have to be very distributed, very rural and we have to go out to the communities, not matter how small they are, to deliver our care in those communities.

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CEOCFO: *What is involved in operating a dispensary? What have you learned at Ultra Health, since the first one, as to how to best serve your customers, best serve the business and make it smooth?*

Mr. Rodriguez: Operating a dispensary is akin to operating a local community pharmacy. Our CannaTechs interact at the front line with the patient. They are guiding, providing information, and helping the patient to understand the choices out there, how to dose and how to pick the product that best suits their needs. The patients are ultimately making those choices. Patients have been certified by their physician that they have a qualifying condition and the patients are learning, engaging and journaling their experiences. Journaling is a major part about the use of cannabis. We recommend that patients start slow in experiencing the effects of cannabis for their condition and adjust as needed. Most of our CannaTechs are trained in specifically aiding and training patients and helping them to address their conditions. The three most common conditions in New Mexico are PTSD, chronic pain and cancer. That represents about eighty five percent of our covered lives. Therefore, we are often able to give out uniform guidance on how patients can best treat their conditions.

CEOCFO: *Why do doctors not provide the information? Why is it on your shoulders?*

Mr. Rodriguez: I think that because it is holistic it has been more of a grassroots effort. Because of the clear apparent conflict between federal and state law it has limited to a certain extent the physician's engagement in the process. There is no question that more physicians are taking the time to understand the benefits and spending more time guiding and counseling their patients on the use of cannabis. Many times physicians had to first overcome the fear that the federal government might threaten their DEA license to prescribe. The physicians in the early days acted in a very standoffish approach to cannabis. However, now you are seeing more physicians stepping forward, understanding the literature, realizing there is a place and a value for cannabis in patient protocols. I think you are seeing more physicians specifically, in a more progressive communities, be more engaged particularly for the use of cannabis as an alternative to opiate prescriptions.

CEOCFO: *Would someone come to your dispensary because it is there? Might there be competing dispensaries in some areas? Is there much choice in where people go?*

Mr. Rodriguez: Patient choice is an important attribute in any market, be it urban or rural. Clearly, in a state that approves medical cannabis there are clearly more choices in the urban areas. We have taken it on as part of our mission to be in the rural areas. Fortunately, as we move into these rural areas, usually being the first and sole community provider in that rural area, we are usually followed by one, two or three other competitors who have seen that market where we have been the first provider. That does provide for greater location choice. Fortunately because we have established a good reputation and a strong market presence, we provide cost effective, affordable, high quality medicine. In some markets where we do have two and three competitors, we have seen our market share still remain in the high ninety/ninety five percent market share. Therefore yes, patient choice is important, but in the end I think quality and price will also play a part in how patients choose where they are going to access their cannabis.

CEOCFO: *Would you tell us about the land you have recently acquired and how you will be using it?*

Mr. Rodriguez: If you look at the history as most states have adopted the social use of cannabis in Washington, Colorado, Nevada, Oregon and California; the states have uniformly found a shortage of product availability as soon as

they have gone to the adoption of social use. Every state has underestimated the size and demand of the existing market. Keep in mind that this is not a product that we are trying to create a market for. There existed a black market long before medical cannabis programs or adult use programs were into play. We are simply taking that black market and we are converting it, we are regulating it and we are taxing it in a regulated marketplace. Therefore, we are not trying to invent a new widget. We are basically trying to bring safety, uniformity, affordability and convenience to an existing black market. In every state that has adopted the social use of cannabis, as I said earlier, there has been a shortage or a bottleneck of getting product out to the marketplace. We saw spikes in prices in, particularly in Nevada and California. In our case, we had been more foresighted about what we think will happen. We anticipate that New Mexico will adopt the social use, the adult use of cannabis by 2020 and in anticipation of that adoption we estimate the first full year of revenues will exceed six hundred and fifteen million dollars. Many of those patients will be not only from New Mexico, but from the neighboring state of Texas. In anticipation of a tremendous surge and demand, which would be four and five times our current level, we felt it was important to prepare by securing a large piece of land with a great location, adequate resources when it comes to power and water, and develop a fully diverse campus that could meet the needs for the next decade or two.

CEOCFO: *What surprised you as Ultra Health has grown and evolved?*

Mr. Rodriguez: I think the biggest, pleasant surprise has been how readily individuals and communities have reacted to the advance of cannabis. While there is the stigma and the taboo, we are overcoming so many year of the “Reefer Madness” propaganda. I think that many people have sat down, weighed the facts out and realized that any cannabis use is a healthy use; that in fact, given all the vices out there, including tobacco and alcohol, cannabis is ultimately most likely the safest therapeutic choice that we have today.

CEOCFO: *How do you decide what to carry at the different dispensaries? Is it the same in all of your locations?*

Mr. Rodriguez: The number of SKUs can be in the hundreds, but you begin to see that really top twenty or thirty SKUs will make up eighty percent of the business. We know that there is still a large population that prefers to smoke cannabis and that will be a mainstay for a long while. Increasingly, we are seeing more patients move away from smoking into alternative therapies, be it tablets, capsules, oils, ointments, patches, creams, drinks or edibles. Therefore, while the product line is getting diversified I still do not think we have yet to scratch the surface as to how wide the product range will be. It is likely to be expanded further. You are likely to find vitamins with CBD or breakfast cereals with CBD. You are likely to see some products synthesized with the psychotropic benefits of THC, while other product will focus on non psychotropic drugs that are more anti-inflammatory, that are more neutral in their side effects. Therefore, while there is an expansion, and one would almost say an explosion of new products, I do not think we have even begun to scratch the surface of all the potential uses and benefits of cannabis.

CEOCFO: *There are many companies in your industry. Why is Ultra Health the one to watch? What sets you apart?*

Mr. Rodriguez: I think the thing that separates Ultra Health from many other operators in this space is that we have a long track record. In even the short time this industry has been around I cannot tell you the number of Mom and Pop operators who have already disappeared. You have to generate enough critical mass and you have to have sufficient capitalization. This is a very capital intensive industry. You are investing in new locations, people, land and resources. This is a highly capital intensive industry and I think many folks have underestimated how much capital is required to sustain this type of model. We have been able to see positive cash flow early on and continue to infuse capital whenever we see growth. We are heavily invested in the future. We are not taking earnings out in the short term and I think that many folks who might have entered this industry as a get-rich-quick scheme learned very quickly that is not the long term. That you want to be an operator a decade or two or three or four or five in the future. I think you have seen our longevity. It is in the depth of our management and the depth of our employees. Many of our professionals are experienced professionals who came from outside of the cannabis industry and many of our other professionals are young people, particularly millennials, who come with a greater background and enthusiasm to push this industry forward. It took being more than one type of employee base. While we are a mix of healthcare and science, we are willing to open our minds and our doors to a broader perspective, because this industry is really in its infancy.



Ultra Health