



# Investment Opportunity

CANNIBIS GROW FACILITY



## Overview

*Seeking a \$1.5M financing partner for the conversion of an existing marijuana grow facility into a state of the art grow facility utilizing the most cutting edge technology including LED lighting, automated Aero Ponic watering, and a proprietary vertical rack growing system in order to become one of the most efficient and cost effective grows in the country as proven by our growing partners proprietary methods. Projected return of capital in 12-18 months with an ongoing percentage of profit estimated at \$1M per year.*



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## **The Investment**

*\$1.5 million capital*

*Return of capital in 1 year*

*Return of investment 1 million per year ongoing*



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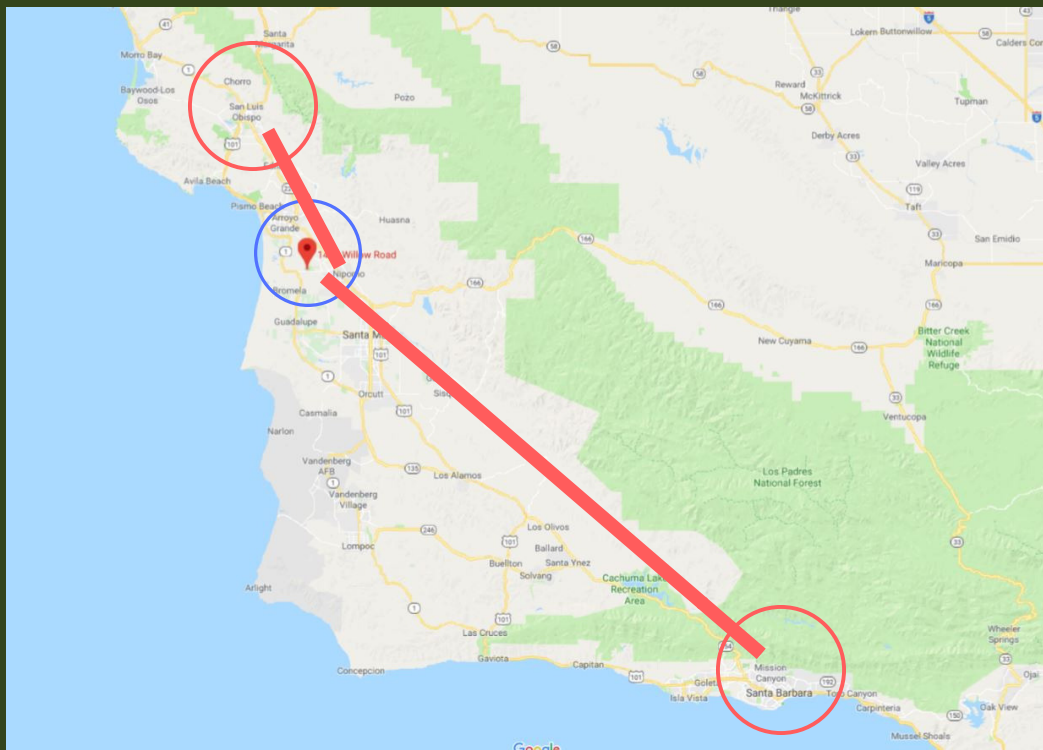
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# About the Opportunity

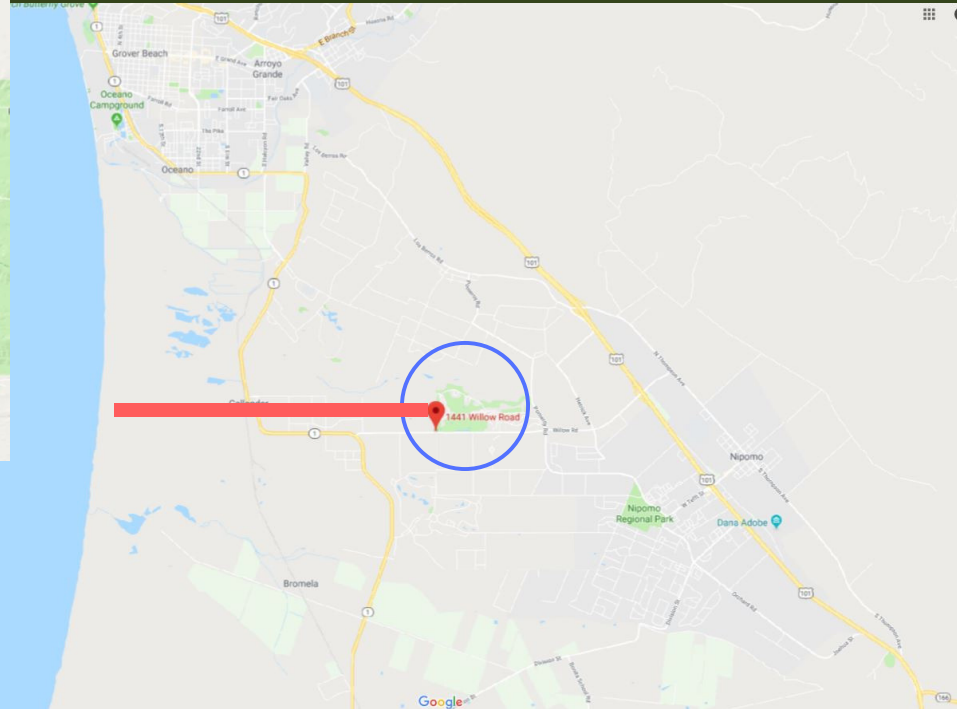
- \$3,200,000 Investment
- \$3,200,000 return of capital plus \$11mm profit
  - Projected return of initial investment \$3,200,000 in 7 months
  - Projected investor profit \$2,000,000 by month 13
  - Projected yearly investor payout estimated at \$1,000,000 years 2 - 10
  - The investor will have no operational responsibility or liability

# Location

Distance to San Luis Obispo 25.1 miles



Distance to Santa Barbara 73.9 miles



Distance to Beach front approx 1 mile

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## The Plan

- Our cost per pound is \$466 per pound for high grade, top shelf strains.
- Hydroponic and Aeroponic systems
- LED and LEC technology
- Indoor vertical grow
- Up to 6 harvests each year
- State of the Art modular system with built in redundancies

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# The Risks

- **Cannabis laws State vs Federal**

- State of California legalized cannabis for recreational use in January 2018
- The Arroyo Grande site is currently with the County of San Luis Obispo (State License to be applied for pending approval of new grow conversion plan)
- Cannabis is still illegal Federally
- With over 30 states having some form of Marijuana legalization it is unlikely for any legal risk to this location to occur

- **Oversupply and Competition**

- Industry experts believe the price of cannabis will eventually settle at around \$1500 per pound.
- We are uniquely situated with a per pound cost to produce of under \$300 per pound
- Most cultivation businesses become unsustainable when prices drop below \$800
- In the event of a temporary oversupply in the market this presents an opportunity to acquire failing cultivators or expand existing operations to take market share as our cost is significantly below competitors' break even point
- Outdoor grow and green house grows cannot produce the same quality and are not our direct competition





*Nick Caston, chief strategic officer of Pacific Expeditors Consulting Services and a board member of the California Cannabis Industry Association's Sonoma County Chapter - agrees that prices will stay level to a point. At that point Caston predicts prices will run around \$900-\$1400 for a wholesale pound of average quality marijuana with premium cannabis selling for \$2,000 a pound.*



# Taxes

## State of California

Effective January 1, 2018 a tax on cultivators is imposed at a rate of:

\$9.25 per dry weight ounce of cannabis flowers

\$2.75 per dry weight ounce of cannabis leaves

\$1.29 per ounce of fresh cannabis plant

- **San Luis Obispo County**
- 
- The tax would start at 4 percent (up to a 10 percent maximum) but the Board has flexibility to adjust the rate of taxation for different cannabis business types.
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- The tax increases in 2 percent increments each fiscal year to a maximum of 10 percent beginning in July 2020, unless the Board acts to maintain or lower the current rate. This tax is in addition to the State's 15 percent tax on cannabis-related businesses.



## Production Capability & Capacity

- 9,000 square foot facility
- 5+ harvests annually
- 1,617 pounds of production per harvest
- 8,085 pounds produced annually
- Under \$300 per pound production cost (including labor)
- Top shelf, highest quality product available
- \$1,500 - \$2,000 per pound wholesale value
- Modular system
- Scalable



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# Confidential Proforma Income Statement (Arroyo Grande Location)

462 Section Build 264 Indica, 198 Sativa

Floor Space Required (Total - includes rows between columns)	4,224	
Production Footprint (Indica)	1,056	
Production Footprint (Sativa)	1,056	
Production Footprint (only considers total column footprint)	2,112	Square Feet
Footprint/Column	16	
Number of Columns	132	
Number of Sections/Column (four 4' tiers Indica)	4	
Number of Sections/Column (three 4' tiers Sativa)	3	
Total Number of Sections	462	
Canopy per Section	16	
Plants per Section	4	
Plants per Column Indica	16	
Plants per Column Sativa	12	
Total Plant Count (production)	1,848	
Canopy per Column Indica	64	Square Feet
Canopy per Column Sativa	48	Square Feet
Total Canopy (per City Guidelines)	7,392	Square Feet
Yield per Plant/harvest	0.875	Pounds
Yield per Section/harvest	3.50	Pounds
Yield per Column/harvest Indica	14	Pounds
Yield per Column/harvest Sativa	11	Pounds
Harvest per Year	5	
Annual Yield per Column per Year Indica	70	
Annual Yield per Column per Year Sativa	53	Pounds
Total Annual Yield in pounds	8,085	Pounds
Retail Value of flower/pound	\$3,000	
Retail Value of Byproduct	\$ 750.00	
Wholesale Value of flower/pound	\$ 1,500.00	
Wholesale Value of Byproduct	\$ 375.00	
Total Electrical Demand/Section	625	Watts
Electrical Demand/All Non-Sectional Production	33,776	(Watts - Calculated at peak rates on a 24 hr. basis)
Total Electrical Demand/All Sections	216,563	(Watts - Calculated at peak rates on an 18 hr. basis)
Total Electrical Demand/All Production	250,339	Watts
Electricity Cost KWH	\$0.1341	(highest tier)
Nutrient Solution Cost/Section	\$50.00	
Water Usage Expense (Gallons per section)	100	
Water Usage Expense (Cubic Feet per section)	13	7.48 gallons/cubic foot
Water Usage Cost	\$1.10	per/100 cubic feet

Annual Gross Income:

Wholesale Flower	\$ 12,127,500.00
Wholesale Byproduct	\$ 3,031,875.00

Total Gross Annual Income \$ 15,159,375.00

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## COGS:

Electricity (Production)	\$	296,048.19	
Nutrient Costs	\$	115,500.00	
Water	\$	3,397.06	\$ .11/Cubic Foot
CO2 Supplementation	\$	39,600.00	
Grow Medium	\$	34,650.00	
Contract Labor	\$	808,500.00	
Cultivator comp plan	\$	757,968.75	

Total COGS			\$ 2,055,664.00
Gross Profit			\$ 13,103,711.00

## Expenses:

Wages

Senior cultivator (1)	\$	75,000.00	
Junior cultivator (1)	\$	60,000.00	
Admin staff (1)	\$	-	
Payroll expenses/taxes	\$	33,750.00	Includes UI, workers comp, and payroll taxes
Total Payroll Expense:	\$	168,750.00	
Rent Expense	\$	62,400.00	
Professional Fees	\$	10,000.00	
Genetic Redundance Program	\$	-	
Security	\$	5,000.00	
Travel	\$	-	
Insurance	\$	25,000.00	includes general liability, and crop risk
Wholesale Taxes	\$	1,552,320.00	\$9.25 per ounce flower, \$2.75 per ounce byproduct
Licensure	\$	60,000.00	Business Operating Permits/State Licenses
Electricity (Administration)	\$	6,000.00	
Utilities	\$	7,500.00	
Office Supplies	\$	5,000.00	
Bank expense	\$	2,500.00	
Misc	\$	10,000.00	

Total Expense:			\$ 1,914,470.00
Net Income:			\$ 11,189,241.00
		Less 10% crop failure test:	\$ (1,515,937.50)
		Proforma Income before income taxes	\$ 9,673,303.50

Highlighted sections are interactive numbers that can be changed to affect entire proforma

Pre-wholesale tax Cost per pound	\$	299.05
Post-wholesale tax Cost per pound	\$	491.05



## Contact Us

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