



California Green Tree Development

Business Plan 2017 Coalinga, California



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California Green Tree Development LLC

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II. Executive Summary



California Green Tree Development LLC is a medical marijuana cultivator operating as a for-profit Limited Liability Company (LLC). We will offer a wide variety of cannabis products to our customers who have legal identification indicating that they are permitted to purchase medical marijuana products from a fully licensed California medical marijuana cultivator. There are approximately 2,700 fully licensed dispensaries in California. California Green Tree Development LLC will target the entire California market (northern, central and southern). There are over 500 dispensaries in Los Angeles County alone and another 500 in the San Francisco Bay Area.

Our team is committed to the highest standards of safety, professionalism, and integrity. We will apply our greatest effort to achieve productivity and quality as set forth in our commitment to produce the best possible cannabis products we can by using the most responsible methods available.

According to the market analysis firm Marijuana Business Daily, North American consumers spent \$ 6.9 billion on legal cannabis products in 2016, up 30 percent from \$5.1 billion in 2015. California accounted for more than 30 percent of the legal cannabis market in 2016 with some analysts projecting greater than 20 percent annual growth through 2021. We provide expertise in cannabis business operations, commercial real estate and brand strategy. This venture will deploy a unique mix of business tools to put investment partners on a path to rapid growth and profitability.

Investors Cash on Cash return after stabilization, based on financial projections will receive 25%-35% per year with almost 400% returns upon sale of the business in 5 years.

Vision Statement:



To be the industry leader in cultivating and producing the highest quality medical cannabis products possible.

Mission Statement:



1. Enhance the lives of medical patients through our products;
2. Provide alternative solutions to serious health concerns; and,
3. Strengthen and improve our communities through an unprecedented revenue source.

Proposed Location of Business:



The proposed location for the development is industrial zoned, Industrial Fresno County, California, County of Fresno, State of California; approximately 2.3 acres. Phase I will involve construction of the 29,000 sq ft building and facility over one-half area of the lot. Phase II will duplicate the first, creating another facility and additional licenses in the remaining portion. Phase I, the operation for which the present funding is associated, will only own one-half of the 2.3-acre lot. Phase I will occupy 50% of the lot and Phase II will be a completely separate project. Phase II entity ownership will reimburse 50% of the land costs to the Phase I owners.

III. Products



California Green Tree Development LLC (“CGTD”) will offer a “Happy” line of medicinal cannabis products for patients. This line will consist of 8 strains of varying profiles that will build brand loyalty and capture greater market share.

Brand Names and Production Lines:

- | | |
|----|---|
| 1. | Happy Sour Diesel - Sativa strain, great for pain relief and for helping patients suffering from depression |
| 2. | Happy Silver Haze - 50/50 hybrid, making it great for patients suffering from depression. |
| 3. | Happy Space Queen - Sativa dominant hybrid, leaves users ‘happy and sociable’. An excellent strain for patients suffering from anxiety and fatigue. |
| 4. | Happy Pineapple Express - 40% Indica /60% Sativa. Leaves patients feeling happy and euphoric. Perfect for patients suffering from depression. |
| 5. | Happy Girl Scout Cookies – 40% Sativa /60% Indica, perfect for patients suffering from pain and anxiety. |
| 6. | Happy Apollo 13 - Predominantly Sativa hybrid, leaves users feeling energetic, euphoric, creative, and sociable, great for patients suffering from anxiety and depression. |
| 7. | Happy Lemon Haze – 70% Sativa / 30% Indica, a happy, euphoric, and relaxed experience perfect for those suffering from depression and anxiety. |
| 8. | Happy Bubba Kush – 100% Indica, Bubba Kush great for patients suffering from stress and anxiety, pain, or insomnia. |

Cultivation Greenhouse (Grow Room)



We have designed the Grow Rooms to measure 20,000 sq ft at full capacity. Our grow room will utilize a light deprivation system, minimizing light exposure, and allowing us to maximize the number of harvests produced each year. Also, we will be using supplemental lighting to maintain harvests in the winter months. We will employ air filters with a diameter of 0.3 micrometers (um), capable of removing 99.97% of particles to prevent potential contamination from pathogenic organisms. Our management team has been consulting with a grow facility design firm that has provided several options based on the available square footage of the grow room and has already identified the best system to install in the grow facility.

In addition to the larger grow room, we will also have several other grow areas for the seedlings and for plants in their vegetative state. These rooms will be small, will use different lighting systems and will provide the first step in the growing cycle to “feed” the larger grow room where the plants will mature and flower.

Our products will be “Certified Organic”. This label carries much significance in the American cannabis culture and will likely boost our sales by 10 to 20%. All natural ingredients used in the grow operation will provide a sense of security that we are growing a clean cannabis, grown in soil without synthetic fertilizers.

Daily Operations



As we are growing, our day-to-day activities will revolve around daily water testing, ensuring that we maintain a proper pH level and that the water contains the right combination of nutrients. In addition to water testing, our employees will also monitor the internal temperature of the grow room, making any necessary adjustments.

Next, both employees and managers will be tasked with reviewing and analyzing the data produced by our automated grow software, which will be compiled using sensors placed on the plants themselves, and on strategic locations throughout the grow room.

To organize these day-to-day activities, we will use a custom variation of a Hazard Analysis Critical Control Point (HACCP), originally designed by NASA and used by food and medicine manufacturers. In short, our employees and managers will have a daily checklist of duties to address throughout the work day. Employees and Managers will be required to “check off” each point addressed on the list, either via inspection, or verification. In the event an employee or manager cannot “check off” a duty, because of an issue, there will be a procedure to address and correct issues or imbalances and unfinished duties.

After completing the checklist, employees will present signed documents to the Manager for their verification and signature of all the daily task checks. The documents are stored (in both hard and electronic copies) and saved for record keeping. The Manager is also required to sign and save two copies of their completed HACCP at the end of each business day.

These HACCPs will address the following areas on a daily basis (yet, this is only a general list, and can be changed to address future City, State, or Federal regulations):

1.	Water testing
2.	Internal grow room temperatures
3.	Visual inspection of plants
4.	Carbon Dioxide levels
5.	Facility Maintenance
6.	Fire prevention

7.	Sanitation Practices
8.	Electrical Systems
9.	Ventilation
10.	Trash Disposal and Waste
11.	Security

The point of daily HACCPs is not only to ensure the safety and integrity of the operations, but also to provide sufficient documentation for either a City or State audit, or a product recall.

Energy Use



Although we will utilize supplemental lighting, we will be primarily relying on the sun for lighting. The nearly year-round sunshine of Coalinga, California is perfect for our plans to maximize the benefits of natural lighting from the sun. We will only need to use supplemental lighting when necessary. This will result in substantial energy conservation and savings. In addition, we will be employing inexpensive, but effective measures to keep air conditioning costs down, such as using white cloth pots instead of dark cloth pots, to help keep the grow room temperature down.

Water Use and Conservation



One of the benefits of using a hydroponic and soil-drip system is the water savings. Generally, our drip systems use up to two-thirds less water than traditional indoor, or outdoor grows, keeping our costs down and conserving water for the community and the environment. We plan to recycle our used water by deploying it to water our outdoor plants (non-cannabis) and palm trees, which will create an aesthetically pleasing outdoor landscape that enriches the property and neighborhood. Finally, all dead plants will be used as mulch or compost for our outdoor plants and trees.

Employees and Managers



Employees and managers will be comprehensively trained to ensure compliance with both local and state rules and regulations, employee sanitation and hygiene protocols, as well as emergency procedures.

Employees will also undergo frequent continued education both on the job and in the classroom setting. We want all our employees to understand the biological and medical properties of the cannabis plant and will provide the opportunities to send employees to medical cannabis seminars and conferences. We also want to promote employee development to allow them to grow within our company. Consequently, we will provide frequent training to enhance each employee's job-related and management skills. Training programs will focus on manager effectiveness, leadership development, communication, and presentation skills, in addition to hosting mentoring and coaching programs.

Finally, we will train employees and managers on our emergency recall plan. Our plan will focus on the following areas:

1. Identifying factors which necessitate a product recall.
2. Adverse Event Reporting, ensuring the Medical Cannabis Bureau is immediately notified of any potential contaminated or defective products.
3. Lot and Batch Tracking; and
4. Comprehensive recall procedures, including the destruction of any contaminated or defective products, and a mechanism to contact all customers who may have had contact with the recalled products.

Enhanced Product Safety



By growing plants soil-drip systems, we will eliminate all normal threats to the plants including pests, diseases, viruses, microbes, heat, cold, drought, bad water, nutrients and humidity problems.

The additional costs of implementing a soil-drip system are offset by larger harvests each year, higher quality medicine and most importantly, enhanced product safety. Our employees will be exposed to no harmful pesticides and there will be little waste to dispose of, with the result being qualified patients receive the highest quality medicinal marijuana produced in an environmentally friendly and sustainable manner.

Also, readily available hand washing stations will be strategically placed around the interior facility, along with hand sanitation mechanisms (gloves, sanitizers) to ensure that our plants are uncontaminated by human touch.

In-House Testing



We will also have an in-house testing lab for increased product safety and to ensure compliance with state regulations. Our testing lab will feature an ACQUITY H-Class UPLC analytical system with a Photo-diode Array Detector for potency testing. For terpene testing we will use a gas chromatograph. In the event pesticides are used, we will employ an LC/MS-MS system with an atmospheric pressure gas chromatograph (APGC). Naturally, all testing is done for our records and quality control, and we will still hire a distributor to take our products to a dually licensed testing lab for certification.

Record Keeping



Another component of our safety program is our record keeping. Quality control is dependent on keeping sufficient records of all activity, and we understand Coalinga and the Medical Cannabis Bureau will conduct audits of our operation to ensure compliance. Consequently, we will have two record keeping systems, the first being the traditional hard copy, where we will file and save documents in storage, and the second will be electronic, where we will keep all data in a cloud-based storage software that can be accessed on multiple devices from different locations.

We will keep thorough records of the following areas (records will be separated into individual grow cycles (generally a three-month period).

1. Propagation records, including the type of growing medium used for each harvest cycle, and the type and amount of nutrients used for each grow cycle. We will also keep records of any fumigants used, and all pruning techniques incorporated during the grow cycle.
2. Planting records, including the types of strains planted, the date of planting, and if clones are employed the size and maturity of the clone. Also, the number of plants used in the flowering cycle, the size of the cultivation area, and the exact location of the plant in the cultivation area.
3. Pesticide records (if applicable), including the chemical name, brand name, manufacturer name, amount applied, date applied, identification or location of plants product was applied, and name of applicator.
4. Harvest records, including the identity (identifier number) of each plant harvested, the date of harvest, and the gross weight (after drying) of the harvest, the total weight of waste from the harvest, and the net weight (gross weight less waste) of the harvest.
5. Processing records, including the identity (identity number) of each plant processed, sufficient information to trace the processed plant to the cultivation source, the date of processing, and the initial weight before processing, and the total weight of all cannabis after processing.
6. Commercial sale records, including the identity (identifier number) of the plants distributed, the total weight of the plants distributed, the date of distribution and the identity and contact information of the business receiving the distributed cannabis.

Track & Traceability



Transportation and distribution of products, testing, and quality control practices, will be guided by the Medical Cannabis Regulation and Safety Act (“MMRSA”) and State Laws. California Green Tree Development is committed to “seed to sale tracking”. That requires effectively tracking the bar codes or radio-signal tags affixed to the plants, as well as making sure the data can be exported to business software such as Excel and QuickBooks.

We intend to use market leaders such as MJ Freeway and BioTrackTHC as part of our compliance with the MEDICAL CANNABIS REGULATION AND SAFETY ACT (“MCRSA”) and any existing or future governmental regulations. The programs from the two companies are designed to automate as much plant-monitoring as possible, including fertilizer and pH level. A plant will receive a bar code or radio tag, which identifies, logs and records the stems, leaves, crumbs, and flower resin trimmed off before the flowers are bagged. Each package will then get its own tag or bar code associated with the parent plant. Every bag can be traced either to the person who bought it—in the case of medical users or the seed it grew from, and both programs record all inventory changes, making theft easier to detect.

Compliance with State Laws



Pursuant to both the MCRSA and the Adult Use of Marijuana Act of 2016 (“AUMA”), we will strictly adhere to the distribution model contained in both pieces of legislation. Thus, we will only contract with locally licensed retailers, manufacturers, distributors, and testing labs. And once the state licensing becomes available, we will only contract with cannabis businesses that are dually licensed.

As we possess the transportation license issued by Coalinga, we can transport our products as well as other

cultivators' products throughout the State of California to an authorized testing lab, and upon certification. After, we can transport our medicine to either a manufacturer or retailer. We would like to contract with Coalinga licensed manufacturers, and in the future, licensed retailers. However, we do already have deals in place to provide products to Proposition D compliant dispensaries in Los Angeles and the San Francisco Bay Area.

V. Safety and Security Plan



A third-party security company will manage safety and security concerns. Our system will have visual monitoring and on-call security service along with the Coalinga Police Department that meets the cannabis industry's most stringent regulatory requirements. The desired system will have state-of-the-art hardware and software, and be operated only by highly trained intervention specialists, all connected to the local security and police.

Our facility will have installed wired IP-based cameras that will record for a minimum of 90 days and record at 30 fps or greater. The system will have battery backup and a generator to power the camera system during outages for a minimum of 12 hours. All recordings will be archived. California Green Tree Development will work closely with the local police and ensure security compliance within the requirements set forth by the Police Chief

We will adhere to all security requirements set forth by the Coalinga, California City Police Department, Medical Marijuana Bureau Ordinance and the State of California. CGTD will meet or exceed all regulations or ordinances pertaining to the requirements concerning the perimeter fencing, lighting, locks, windows, security cameras, security personnel, alarms, transportation, remote monitoring, electronic track and trace, and record keeping. The grow rooms/warehouses will have biometric scanners to restrict entry by personnel and visitors through unmistakable identifying access systems. The system will have a readily available recorded log showing all employees and most recent entry and exits from the site and highest level secured rooms.

Our design will include alarm system details, which will provide perimeter, fire, and panic details. Full exterior perimeter and interior security camera layout including fields of view and equipment specifications, with floor plan will be available. * See appendix for colored facility camera drawings.

Included in this plan are the fencing and the perimeter layout so that they meet construction requirements preventing unauthorized entries. Full fire remote monitoring for fire notification will also be installed. Security Team Plan, protocols, security guards that must be licensed by the State of California and equipment will be also implemented. The interior and exterior lighting plan shows conceptually the type of light fixtures including base, location, fixture height, source, and surface illumination.

Lighting plans shall demonstrate that the lighting fixtures can provide adequate illumination for security, including foot candles, maintained across the surface of the parking area. This will also have an Access Control Plan and equipment for entry.

All recordings will be stored for 90 days. All systems will have a back-up battery system and this development will have back-up power generation to provide additional security recording. Backup systems will have over 24 hours of capacity. The recordings will include all entry and exit areas where personnel movements can be continuously recorded at 360 degrees. All other areas, including operational areas like, trim, storage, and office will carry the same secure recording capacity.

Additional security will be achieved by steel fencing, with over 8 feet in height, surrounding the entire development, with a decorative overtone all around for a more pleasant business design and look. Sally Port Entry will have an electric gate with cameras photographing the front and back of any cars or trucks. Arrivals and departures of all vehicles will alert the personnel through the call boxes to notify employees, or security. All will be recorded on systems.

All employees and personnel will use both an access card and biometric system for identification in and out of this facility. All employees must pass through this access point, controlled, recorded, and monitored. Employees must pass through controlled gate access to enter the main business property. All emergency vehicles, constituting fire, security and police, will have total access to entry codes. Employee parking will not be adjacent to the building.

Secured limited access areas, including the cultivation area and warehouse will be accessed by a biometric thumbprint system that records all entry access to this area. Total controlled, secured areas in this facility will be recorded. These records will be kept in storage for 90 days or as required by the local law enforcement. Recorded security logs will include employee name, ID number, date and time, and all areas patrolled/monitored daily.

Alarm systems and registered personnel names, address, telephone numbers, cell numbers, make and model and color of all cars used by management and employees, when responding to any alarm calls at this facility can notify Coalinga Police Department for dispatch or to relay vital information to officers responding to alarms. All systems will carry a backup power supply and be hooked up to a backup electrical generation equipment, by design.

Security on site will monitor 24 hours per day, 365 days a year, and will patrol the facility, while product is on site. An armed guard will be present at the following locations:

- Main gate/ main building access (outside)
- Inside secondary security door
- Any door that is not 24/7 alarmed as a fire-escape type door and where employees may leave the building without activating an alarm.

The security company and personnel will have DOJ and FBI clearances and training record of this training, firearm certificates, State guard card, and first aid/CPR certification. The security company will provide all scheduling of personnel, with management review. Any issues will be reported to the Coalinga Police, and or fire department.

The alarm system will be registered with the Coalinga Police Department and California Green Tree Development will provide all available responsible party names, addresses, phone numbers, cell phone numbers, make, model, and color of vehicles they will be driving when responding to alarm calls at the site.

VI. Neighborhood Compatibility Plan, Site-Plan and Environmental Benefits



The proposed facility location is at 1851 Mercantile Lane, Coalinga, California 93210: the lot at the north-west corner of the intersection of Mercantile Lane and Enterprise Parkway. The lot is situated inside a previously developed industrial park with all the utility connections available. This ideal location means that our state-of-the-art, industrial, metal enclosed warehouse/greenhouse will complement and enhance the neighborhood. No cultivation shall be visible from the exterior of the facility. This facility will comply with local building codes, land conversion, grading, electricity, water usage, riparian habitat protection, and agricultural discharges.

Odor control will be managed with an array of exhaust filters, ultra-violet light technology and a positive air pressure and misting system that prevents and eliminates internal odors from being emitted externally.

We anticipate a rise in the property values of the surrounding properties due to capital improvements made on our site. Our site-plan details the improvements that will be made to the proposed site, including the exterior landscaping and structural elements.

We believe in maximizing energy efficiency while minimizing our environmental impact and being a leader in "Green" cultivation. All the natural fertilizers and organic food we use will be bio-safe for use in our operation and will ensure the health and safety of our employees, customers and the surrounding community. Our waste water will be repurposed to feed landscaping elements, including palm trees and other similar vegetation. We will also dispose of our deceased plants and failed clones in a commercial composter, for use in on-site landscaping. This serves a dual purpose of minimizing waste and adding a lush and vibrant landscape for public viewing.

- | | | |
|--|-----------------------------|--|
| • 2.3 Acres | • Landscaping | • Controlled access gates for entry and exit |
| • Fully-insured, state-of-the-art metal warehouse/greenhouse | • Floor plan | • Proper signage |
| • Zoning M1 | • Secured perimeter fencing | • Parking and emergency vehicle access |
| • All utilities available on premises | • Lights and cameras | |

* See Appendix for detailed site and signage drawing

Schedule and Timeline



	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18
Application & License																
Land Site Preparation																
Construction (Phase 1)																
Season 1																

Legend: ★ Start of production (1st season)

✦ Season 1 Harvest – Start of sales

Milestones:

- License approved – April 2017
 - Application submission deadline – December 12, 2016
- Land Site Preparation completed – July 2017
 - Begins once license is issued (April/May 2017)
 - Includes procurement of equipment
- Phase 1 Construction completed – Oct 2017
 - Greenhouse 20,000 sq ft
 - Offices, Testing Lab and Warehouse. 9000 sq ft.
- Season 1 start – Nov 2017 through Feb 2018
 - 4-month lead-time for 1st grow season
 - Subsequent season lead-times will be approx. 2.5 months
- 1st Harvest completed - February 2018 through May 2018
 - Start of sales – Feb through May 2018

VII. Community Benefits



CGTD is committed to the growth and development of Coalinga's economy, people, and its unique Central Valley culture. This local enterprise is a collaborative effort to contribute to a vibrant local economy.

CGTD will implement an employee handbook that emphasizes hiring from within the local community whenever possible. Employees will be given a living wage at a minimum of 100% over the State minimum wage. We believe local jobs for the local economy is the preferred model to grow our business and connect with the community at large.

VIII. Startup Expenses and Capitalization

Estimated Total Development, Cultivation Facility, and Equipment = \$8,000,000

	A	B	C	D
1	Cost Item Category	Cost Items	Amount	Remark
2				
3				
4	Real Estate	2.3 Acre Lot Purchased	\$ 700,000	
5				
6	Construction	Contractors, planning, engineering	\$ 2,200,000	
7		PG&E Electric, Gas, Water Hookups Underground	\$ 50,000	
8		Greenhouse...Nexus contract	\$ 1,086,000	
9		Construction Total	\$ 3,336,000	
10				
11				
12				
13		Private Electrical Power System	\$ 1,000,000	
14	Equipments	LED--- 1,016 Units approx. \$550 Each 550 Watts	\$ 558,800	
15		Odor control System, UV Ultra Violet Ozone 8 Units UVONAIR CD -1200 X 20 Units \$271 per unit 18-to 48" Inch collection HVAC upper wall fans, pull out air flow inside vent exhaust fans	\$ 6,000	
16		HVAC Systems, Surna Commercial Chillers, Heat Pumps, Nutrient cooling Systems,	\$ 50,000	
17		Security Systems Cameras, Surveillance compliance, CCTV Dynamics, I-502 systems Gate and Visual, 32 Camera's, intercom, WIFI system, monitors,	\$ 40,000	
18		Power Systems Back up electrical	\$ 45,000	Generator 120/208V 3 Phase NG (Natural Gas 45KW Generac/Zoro/Stand by Generator
19		Water Purity systems, PH, Reverse Osmoses	\$ 19,000	Hyper Logic Purification systems Reverse Osmosis, PH quality water,
20		Dryers, and Curing equipment...HVAC	\$ 20,000	
21		MJ Freeway, Seed to Sale Tracking Software	\$ 45,950	
22		3 Computer systems, 6 monitors, 2 printers, Office equipment	\$ 10,000	
23		Internet system	\$ 25,000	
24		Secure Delivery Vehicle	\$ 20,000	
25		Volt Door & Room and Safes	\$ 30,000	
26		Pallet Racks Veg and Clones	\$ 12,000	
27		Benches, Tables, lab	\$ 10,000	
28		4 desks, 4 office chairs, 4 metal file cabinets	\$ 5,000	
29		4 Storage containers, buy, Working Area Container	\$ 20,000	
30		Trailer Office, construction, Security	\$ 20,000	
31		4 door Truck, pick-up supplies, and Trailer hauler	\$ 10,000	
32		Trimmers electric Twister 2 Units	\$ 15,000	
33		Fluorescents and LED's VEG and Cloning	\$ 25,000	
34		..De-humidifier, 4 units 480 V 31 AMPs \$11,000 each (15 Amps each).	\$ 50,000	
35		Kitchen Equipment,(used) Stove, Top Vented, 4 Sinks, refrigerator (used) Oven, 4 Commercial dish washers, Washer and dryer(new) Micro Wave, cabinets, garbage disposal, Hot water Tank instant, (new) Vents outside	\$ 25,000	
36		Protection of Building Posts, or Palm Trees	\$ 10,000	
37		Fans V-Flow 24 Units \$635 @	\$ 15,240	
38		Water Tanks	\$ 40,000	
39		Green Light system,(electrical night lights)	\$ 6,000	
40		Equipment Total	\$ 2,132,990	
41				
42				
43				
44				
45	Operational Costs	Coalinga City Fees yearly	\$ 455,462	Application fee, Annual Revenue raising fee, \$25.00 per first 3,000 sf \$75,000 Base, plus \$10.00 sf balance \$90,000 (12,000 sf Grow) plus type 3A/3B \$53,561 plus, type 12, \$3,901.
46		Operational Expenses & Working Capital	\$ 800,000	
47		Growers Supplies	\$ 400,000	
48		Legal Services	\$ 50,000	
49		Insurance Building, liability	\$ 5,000	

IX. Financial Projections

	A	B	C	D	E
1	CALIFORNIA GREEN TREE DEVELOPMENT OPEATING INCOME & EXPENSES (PROJECTED)				
2					
3	Category	Expense Items	Amount	Category Amount	Remarks
4	Banking	Bank Charges	\$ 1,200	\$ 1,200	
5	Equipment	Equipment Leases	\$ 120,000		2 Delivery Trucks, Forklifts, Corporate
6	Equipment	Vehicle Expenses	\$ 50,000		Vehicles
7	Equipment	Telephone and Mobile Devices	\$ 15,000	\$ 185,000	
8	Insurance	Insurance	\$ 30,000	\$ 30,000	All coverage
9	Labor	Employee Training	\$ 10,000		
10	Labor	Wages and Labor	\$ 1,200,000		10 employees
11	Labor	Executive Compensation	\$ 480,000		
12	Labor	Onsite Housing	\$ 40,000		
13	Labor	Security Guard Services	\$ 200,000		
14	Labor	Outside Consultants	\$ 420,000	\$ 2,350,000	
15	Maintenance	Repairs and Maintenance	\$ 120,000		
16	Maintenance	Building and Facility Maintenance	\$ 240,000	\$ 360,000	
17	Marketing	Advertising	\$ 50,000		
18	Marketing	Sales and Marketing Services	\$ 250,000	\$ 300,000	
19	Misc	Operating Cash Reserves	\$ 1,500,000	\$ 1,500,000	
20	Operation	Laboratory Testing Services	\$ 60,000		
21	Operation	Packaging	\$ 300,000	\$ 360,000	
22	Professional	Accounting	\$ 36,000		
23	Professional	Legal Services	\$ 100,000	\$ 136,000	
24	Supplies	Office Supplies	\$ 12,000		
25	Supplies	Postage and Printing	\$ 10,000		
26	Supplies	Subscriptions and Continuing Education	\$ 60,000		
27	Supplies	Cultivation Supplies	\$ 800,000	\$ 882,000	
28	Tax	Sate Sales Tax	\$ 2,220,000		\$9.25 per dry weight of flower pound
29	Tax	Coalinga City Fees	\$ 400,000		
30	Tax	Property Tax for Real Estate	\$ 6,000		
31	Tax	State Income Tax	\$ 2,000,000	\$ 4,626,000	Federal Income Tax payable by individual LLC members through K-9 Statement.
32	Utility	Electricity	\$ 250,000		
33	Utility	City Water Services	\$ 120,000		
34	Utility	Natural Gas Utility	\$ 60,000	\$ 430,000	
35		Total Annual Expenses	\$ 11,160,200	\$ 11,160,200	
36					
37		Projected Revenue	\$ 26,250,000	15,000 pounds @ \$1750 per pound.	
38					
39		Expenses % of Revenue	43%		
40					
41					
42		Total Expenses	\$ 11,160,200		
43		Total Expenses % of Revenue	42.52%		
44		Project Net Income	\$ 15,089,800		
45					
46		18% Equity Disbursement to \$8 MM Investors on an annual basis	\$ 2,716,164		
47					
48		5 Year Payout to Investors	\$ 13,580,820		5 Year Period commences after CGTD becomes fully opeational
49		Exit Value (Projected Proceeds of Sale of Business/Land/Equipment)	\$ 100,598,667		15% CAP Rate Valuation Assumed with \$15,089,800 NET OPERATING INCOME
50		18% Investor Payout from the sale of business and property	\$ 16,667,760		\$8 MM Initial Capital returned first from the sale proceeds; then Investors receive 18% of the balance.
51					
52		Total Investor Payout (Projected) in 5 Years	\$ 30,248,580		
53					
54		Rate of Return on Investment (PROJECTED)	378.11%		
55					
56					
57					
58					
59					

As per California Sales and Use Tax Regulation Article 3, Section 1533.1, Farm Equipment purchases enjoy partial exemptions for sales tax purposes.

General Assumptions for Cultivation Production and P & L

Assumption 1 (\$1,500 per pound)

Yield Calculation Using Nexus Hybrid Systems (Production figure provided by Nexus based on actual historical performance of 300+ facilities supplied by Nexus).

Size of Grow facility 20,000 sq ft

Yield Per. Square Foot Per. Year Three Quarter (3/4) per lbs. per Year

3/4 lbs. X 20,000 sq ft (equal per year) 15,000 lbs.

15,000 lbs. X \$1,500 = **\$22,500,000** Gross Income

Projected 50% expenses Net Income **\$11,250,000**

Assumption 2. (\$2,000 per pound)

Same 15,000 lbs. produced as in Assumption 3 above but at sale price of \$2000 per pound.

15,000 lbs. X \$2,000 = **\$30,000,000** Gross Income

Projected 50% expenses Net Income **\$15,000,000**

Average Sales/Expenses.

Sales Revenues: **\$26.25 MM**

Net Profit = **\$13.125 MM.**

PROJECTED RETURN ON INVESTMENT



PROPOSED PAYOUT BY CGTD: 18% LLC EQUITY for \$8 MM Investment.

LLC Membership Interests Shares	Total Shares	18% Investor Shares	
	5,000,000	900,000	
Per Share Price (\$8M/900k)		\$8.89	
Total Investment		\$8,000,000	
Projected Annual Net Income	\$15,089,800		
Annual Returns for \$8 MM Investors	\$2,716,164		
Annual Returns Percentage		33.95%	
5 Year Returns	\$13,580,820	169.76%	
Sale Proceeds of the Business and Real Property		At 15% CAP Rate of \$14,546,050 NOI	\$100,598,667
Investor Share from Sale Proceeds	\$16,667,760	\$8 MM Pincipal Paid first before distribution of the sales proceeds	
Total Investor Returns	\$30,248,580		
Total Rate of Returns	378%		

X. Organization and Management



In-House Counsel / Lawyers

- Greenspoon Marder
- Lance Rogers, Esq. San Diego, California
- Jonathan Leinwand, Esq. Fort Lauderdale, Florida

The following positions will be filled upon necessity and seasonal requirements:

- Master Grower
- Sales Manager
- Trimmers/Harvesters
- Security Guards
- Office Manager
- Accountant
- General labor (Maintenance, packaging)
- Lab assistant
- Human Resources and Benefits Manager

XI. Qualification of Principles

Marshall Field

Prior to entering into the medical cannabis cultivation business, Mr. Field worked as a licensed commercial real estate agent for 40 years. In addition, he has been engaged in investment banking as well as development of large commercial assets including, but not limited to, agricultural and industrial plants. His experiences as a real estate professional, investment banker and commercial developer for more than 4 decades now superbly qualifies him to lead the CGTD projects.

Mr. Field is responsible for developing the overarching strategy and promoting the company's growth through development of the cultivation and sales activities for CGTD.

Rito Gutierrez

Mr. Gutierrez is a Coalinga business man. He currently owns more than 50 single family residences, which he rents, which helps bring his ownership of real estate in the City of Coalinga to 14%. In addition, he owns and operates 15 insurance/immigration/tax service outlets in the area. He is a self-made success, as he started his career as a farm hand but accumulated his real estate and other business ventures through diligence and natural business ingenuity. He has exceptional and influential presence within the local Coalinga municipality and his business relationships within the City will positively serve the goals of CGTD.

Gene Choe

Mr. Choe was a litigation Attorney from 1997 through 2013. Since 2013, Mr. Choe has been involved with real estate investment, development and off-market commercial asset acquisition and sales. He has operated a 100-man firm at three locations in LA, San Jose and San Diego. His legal expertise, coupled with his ability to manage a large-scale enterprise, will be of significant asset. His legal acumen, coupled with large business operation experiences, will assist CGTD with legal compliance, operational excellence, investment strategy, finance and accounting for the cultivation operation of CGTD, which will undoubtedly expand rapidly.

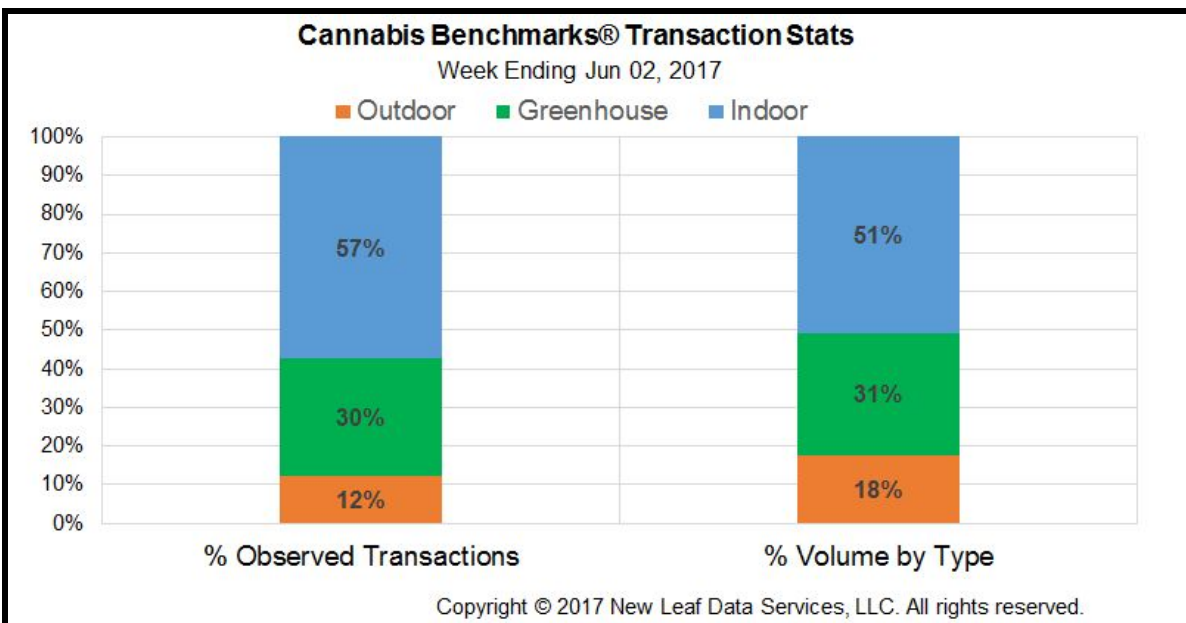
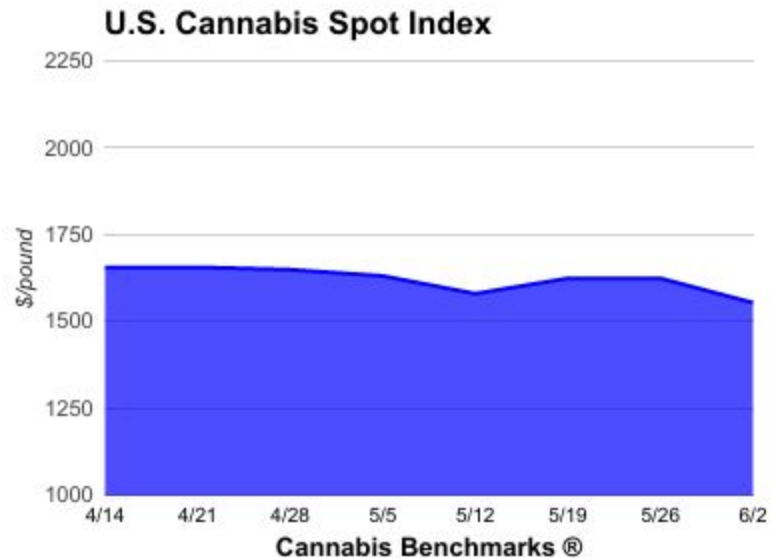


CANNABIS BENCHMARKS®

Premium Weekly Report Published on 2 June 2017

U.S. Cannabis Spot Index down 4.3% at \$1,553 per pound. The simple average (non-volume weighted) price decreased \$131 to \$1,749 per pound, with 68% of transactions (one standard deviation) in the \$1,072 to \$2,426 per pound range. The average deal size decreased 4.5% to 8.3 pounds this week, from 8.6 pounds last week. In grams, the Spot price was \$3.42, and the simple average price was \$3.86.

There was no change this week in the relative volume of each grow type compared to last week. This despite observations of an increase in the relative frequency of trades for the sun-fueled grow types. Deals for outdoor flower saw a 2% week-over-week increase in relative frequency, while transactions for greenhouse product saw a 4% increase in that metric. The relative frequency of deals for warehouse flower fell to below 60%, while such product accounted for just over half of the observed volume traded for the second straight week.



CANNABIS BENCHMARKS®

Indoor flower spanned from \$999 to \$7,000 per pound; the median price was \$2,000/lb.

Greenhouse flower spanned from \$500 to \$2,800 per pound; the median price was \$1,305/lb.

Outdoor flower spanned from \$700 to \$1,800 per pound; the median price was \$1,200/lb.

Cannabis Benchmarks® US Spot Simple Avg (Week Ending Jun 02, 2017)

	This Week	Last Week	Week on Week Δ
Total	\$ 1,749	\$ 1,880	-7.0%
Indoor	\$ 2,024	\$ 2,152	-5.9%
Greenhouse	\$ 1,437	\$ 1,456	-1.3%
Outdoor	\$ 1,225	\$ 1,245	-1.6%

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Deal sizes for indoor flower ranged from 0.25 to 150 pounds.

Deal sizes for greenhouse flower ranged from 0.15 to 100 pounds.

Deal sizes for outdoor flower ranged from 0.50 to 100 pounds.

Cannabis Benchmarks® US Spot Avg Deal Size (Week Ending Jun 02, 2017)

	This Week	Last Week	Week on Week Δ
Total	8.3	8.6	-4.5%
Indoor	7.3	6.9	5.7%
Greenhouse	8.6	10.3	-16.4%
Outdoor	11.7	15.5	-24.3%

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The U.S. Spot Index was back on the decline this week, falling by over 4% to just above \$1,550 per pound. The drop in the overall rate was a result in falling prices for both indoor and greenhouse-grown flower, which reached or came very close to establishing new annual lows.

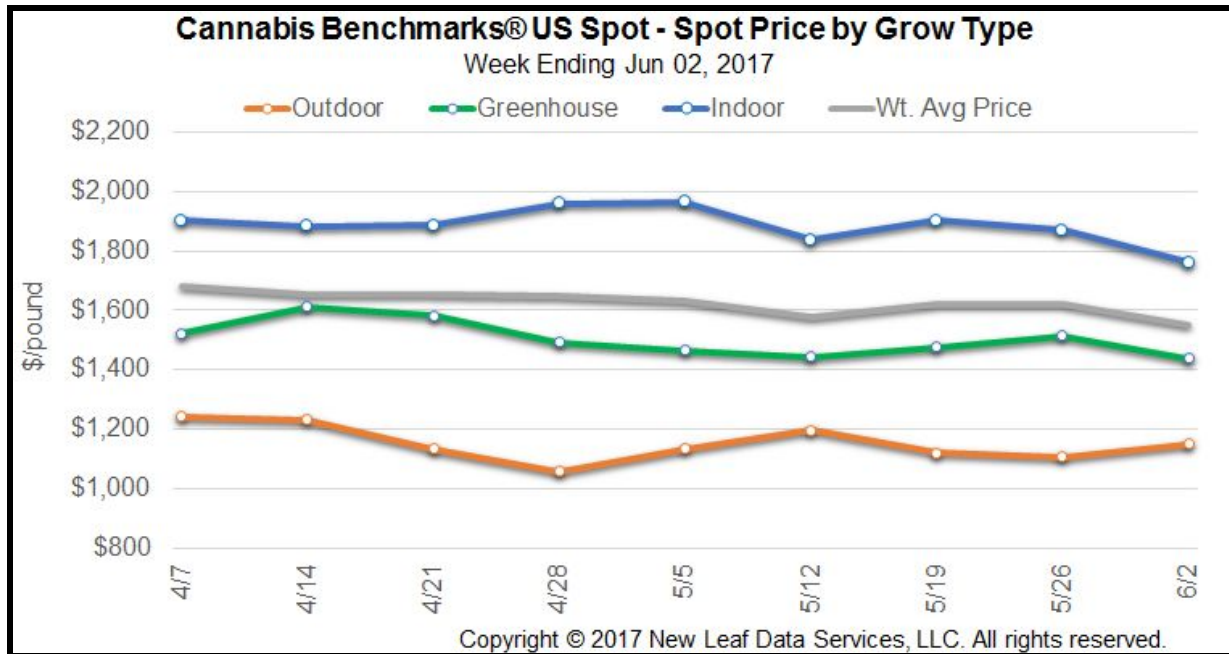
The significant declines in pricing for the aforementioned grow types was moderated somewhat by rising rates for outdoor product, which increased by nearly 4% week-over-week.

Cannabis Benchmarks® US Spot Weighted Avg (Week Ending Jun 02, 2017)

	This Week	Last Week	Week on Week Δ
Total	\$ 1,553	\$ 1,623	-4.3%
Indoor	\$ 1,760	\$ 1,869	-5.8%
Greenhouse	\$ 1,440	\$ 1,514	-4.9%
Outdoor	\$ 1,150	\$ 1,108	3.8%

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Colorado regained its position as the lowest-priced wholesale market in the country. Colorado's Spot Index has not been observed to exceed \$1,300 per pound since the week ending February 17th.

Cannabis Benchmarks®
Spot Price Market Summary - Week Ending Jun 02, 2017

	Vol. Wtd. Avg. (\$/lb)	Simple Avg. (\$/lb)	Vol. Wtd. Avg. (\$/g)	Simple Avg. (\$/g)	Avg. Deal Size (lbs)
US Spot	\$ 1,553	\$ 1,749	\$ 3.42	\$ 3.86	8.3
Alaska	\$ 4,692	\$ 5,381	\$ 10.34	\$ 11.86	8.6
Arizona	\$ 2,237	\$ 2,193	\$ 4.93	\$ 4.83	5.5
California	\$ 1,544	\$ 1,820	\$ 3.41	\$ 4.01	12.0
Colorado	\$ 1,210	\$ 1,253	\$ 2.67	\$ 2.76	6.9
Connecticut	\$ 2,825	\$ 2,825	\$ 6.23	\$ 6.23	5.0
D.C.	\$ 2,696	\$ 2,957	\$ 5.94	\$ 6.52	3.9
Illinois	\$ 2,131	\$ 2,133	\$ 4.70	\$ 4.70	4.3
Maine	\$ 1,928	\$ 1,869	\$ 4.25	\$ 4.12	4.2
Michigan	\$ 2,057	\$ 2,344	\$ 4.53	\$ 5.17	5.0
Nevada	\$ 2,159	\$ 2,197	\$ 4.76	\$ 4.84	5.2
New Hampshire	\$ 2,900	\$ 2,900	\$ 6.39	\$ 6.39	5.0
New Mexico	\$ 2,950	\$ 2,988	\$ 6.50	\$ 6.59	6.3
Oregon	\$ 1,587	\$ 1,715	\$ 3.50	\$ 3.78	3.8
Rhode Island	\$ 2,800	\$ 2,800	\$ 6.17	\$ 6.17	4.5
Vermont	\$ 2,543	\$ 2,600	\$ 5.61	\$ 5.73	2.3
Washington	\$ 1,414	\$ 1,580	\$ 3.12	\$ 3.48	16.0

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This week saw several new annual low prices established. The state Spot Indices of Colorado (\$1,210 per pound), Nevada (\$2,159 per pound), and Oregon (\$1,587 per pound) all fell to year-to-date lows. The national-level rate for warehouse flower reached an annual low of \$1,760 per pound this week, as did greenhouse-grown product in Colorado at \$1,259 per pound. Both greenhouse flower nationally and indoor product in Colorado were within a few dollars of their current year-to-date low rates. Connecticut's Spot price reached a new annual high for the third straight week at \$2,825 per pound.

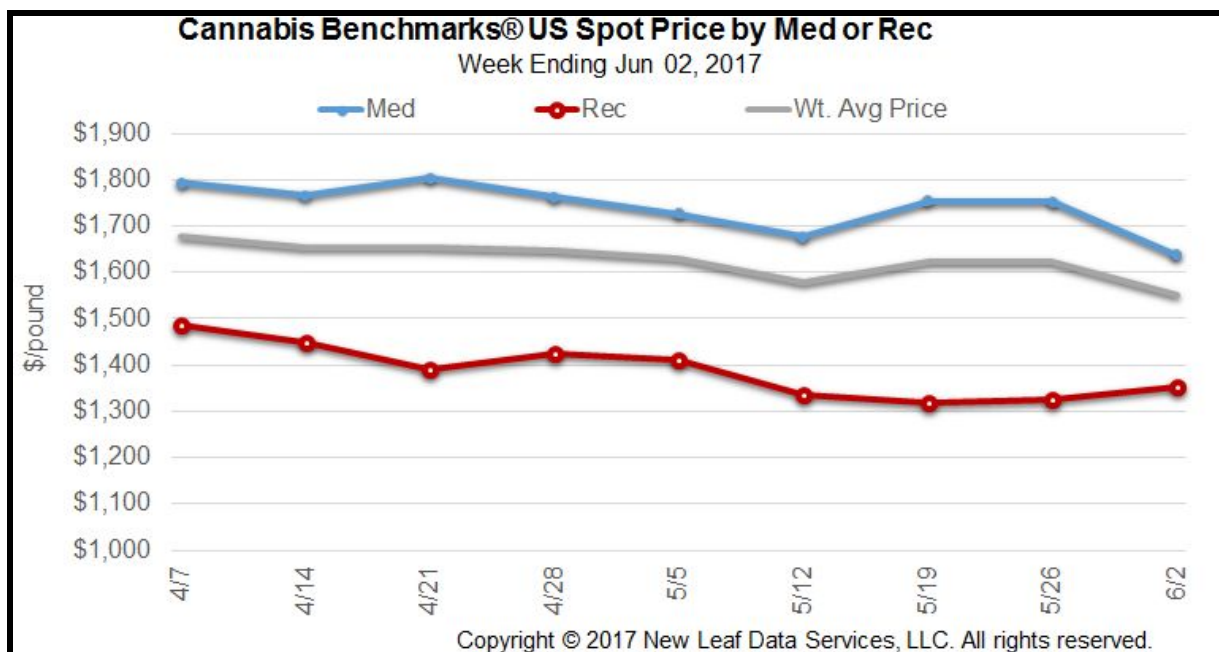
The table below illustrates the U.S. Spot Index, along with the volume weighted averages for all transactions accompanied by a medical or recreational / adult-use designation.

Cannabis Benchmarks® US Spot - Med vs Rec (Week Ending Jun 02, 2017)

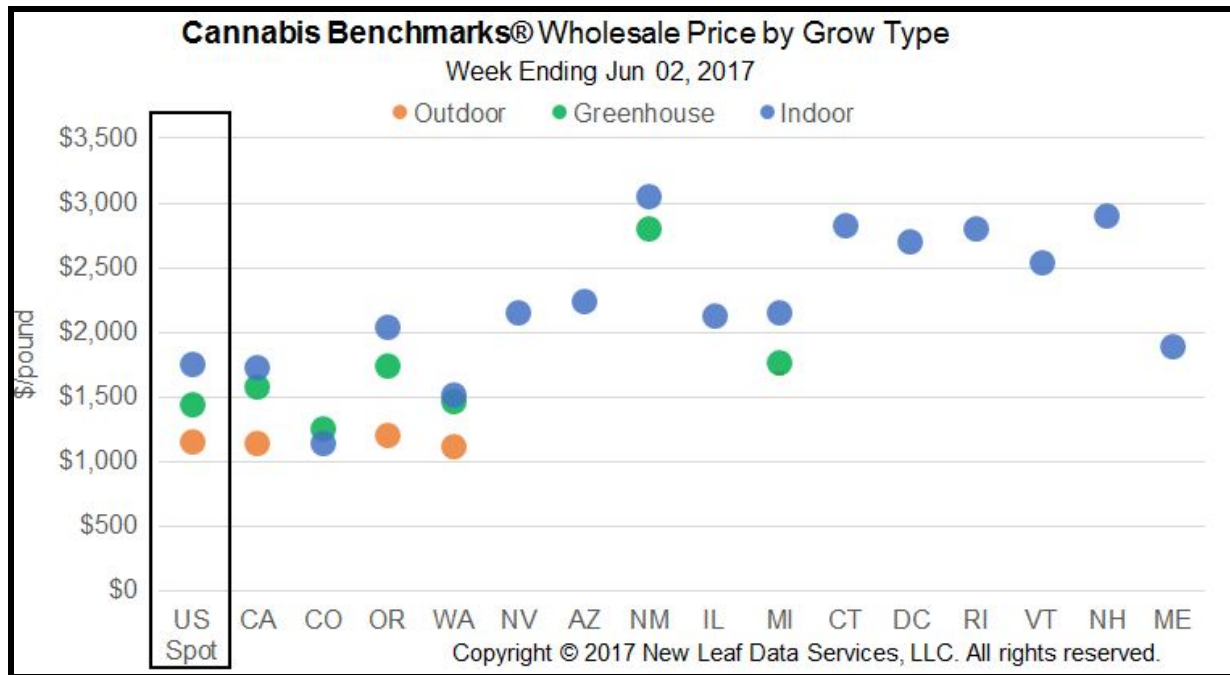
	This Week	Last Week	Week on Week Δ
All Deals	\$ 1,553	\$ 1,623	-4.3%
Medical	\$ 1,638	\$ 1,752	-6.5%
Recreational / Adult-Use	\$ 1,352	\$ 1,326	1.9%

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Despite week-over-week declines in composite pricing for adult-use product in Colorado and Oregon, significant bumps in rates for such flower in Washington State and Alaska resulted in a small net increase in pricing when considering the nation's recreational markets as a whole. Falling composite rates in California and Nevada were the primary contributors to the decline in pricing for medical product on the national level, with the premium of such flower over that sold in adult-use markets shrinking to less than \$300 this week.

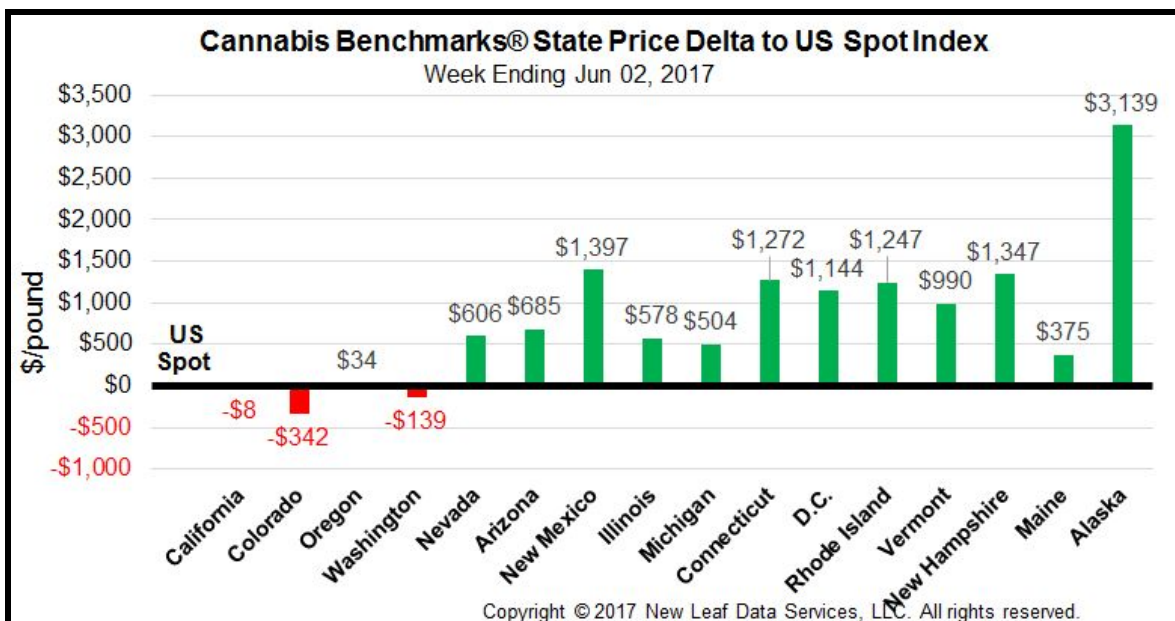


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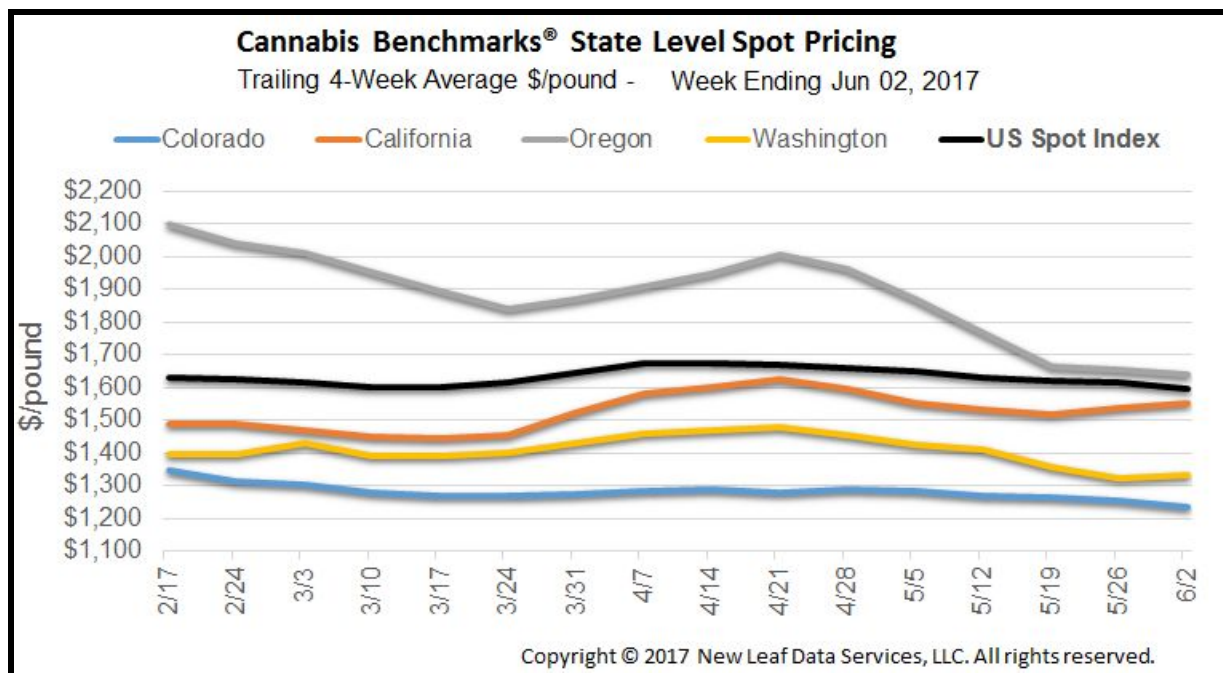
Pricing for warehouse flower in New Mexico is over two and a half times that observed in Colorado. Rates for indoor product in Colorado this week were comparable to those for outdoor flower in the West Coast markets.

The Spot Indices of California and Oregon were nearly in line with the national average this week, while Colorado's remained in excess of \$300 below the U.S. Spot.



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The downward trend of the U.S. Spot Index continued and accelerated on the back of this week's over 4% decline in the national composite rate. Despite a significant fall in Oregon's composite price this week, the state's Trailing 4-Week Average remained above that of the U.S. Spot. On the other hand, the trend line of California's Spot has been on the rise for two consecutive weeks. The major markets with the lowest wholesale pricing - Washington State and Colorado - saw their trend lines diverge this week, with the former ticking upward while the latter slid toward the \$1,200 per pound threshold.



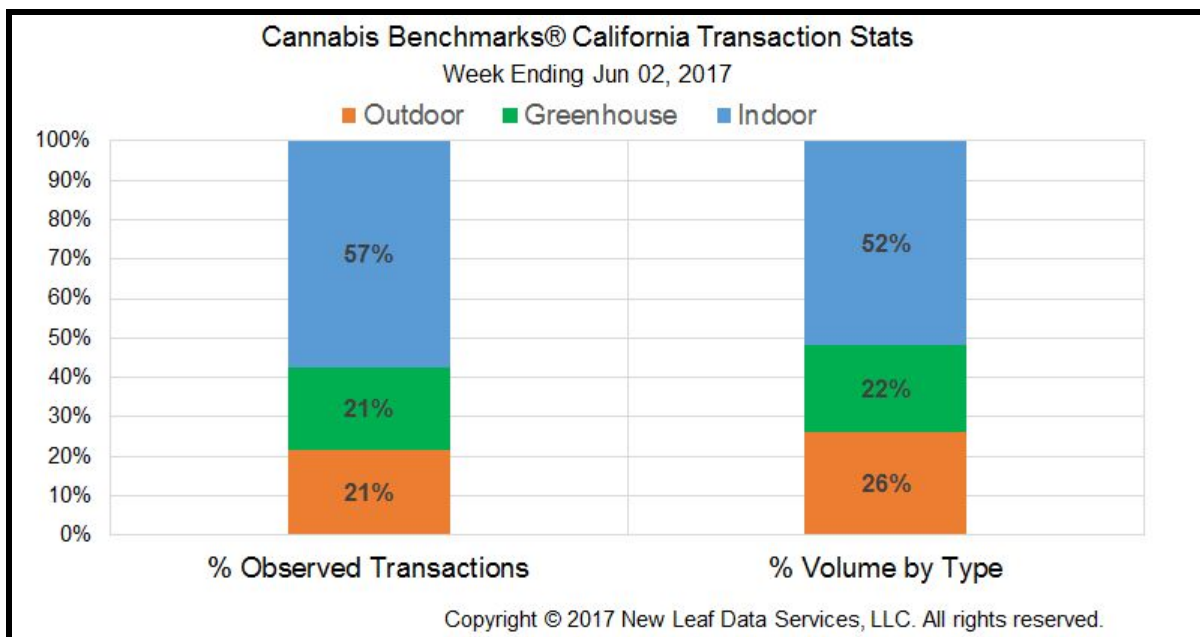
After rising slightly and holding steady in the latter half of May, the U.S. Spot Index returned to its falling ways this week, declining by 4.3% to settle at \$1,553 per pound. This week's composite volume-weighted average rate is the second-lowest observed thus far in 2017, with only the current annual low price of \$1,532 per pound, recorded in the first week of this year, being lower. Though the fact that the U.S. Spot is down over 25% compared to this time last year makes it seem as if prices are dropping precipitously, the course of the national composite rate this year has been remarkably steady. The difference between the current annual low and high prices recorded this year is only \$150, while the U.S. Spot has averaged \$1,619 per pound to this point in the year. As we note below, in the Forward Curve section, market participants are reporting that they expect monthly composite rates to decline for the remainder of the year, relative to this week's Spot price.

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CALIFORNIA

- Volume weighted average price was \$1,544 per pound (or \$3.40 per gram)
- Down 3.2%, or \$52, from \$1,596 per pound last week
- Simple average price was \$1,820 per pound
- Median price was \$1,800 per pound
- Prices ranged from \$500 to \$2,700 per pound
- Average deal size was 12.0 pounds
- Transactions ranged from 0.25 to 150 pounds

California transaction specifics are shown in the accompanying table and charts; all prices are volume weighted averages.



Indoor-grown flower in California continued to constitute just over half of the observed volume traded for the second consecutive week, increasing its relative volume by 1% compared to last week. Outdoor product's share of the total documented weight moved swelled by 5% this week to make up over a quarter of the observed volume that changed hands. The relative frequency of trades for greenhouse and outdoor flower both increased this week, by 4% and 2%, respectively, with each making up just over two-fifths of all recorded transactions.

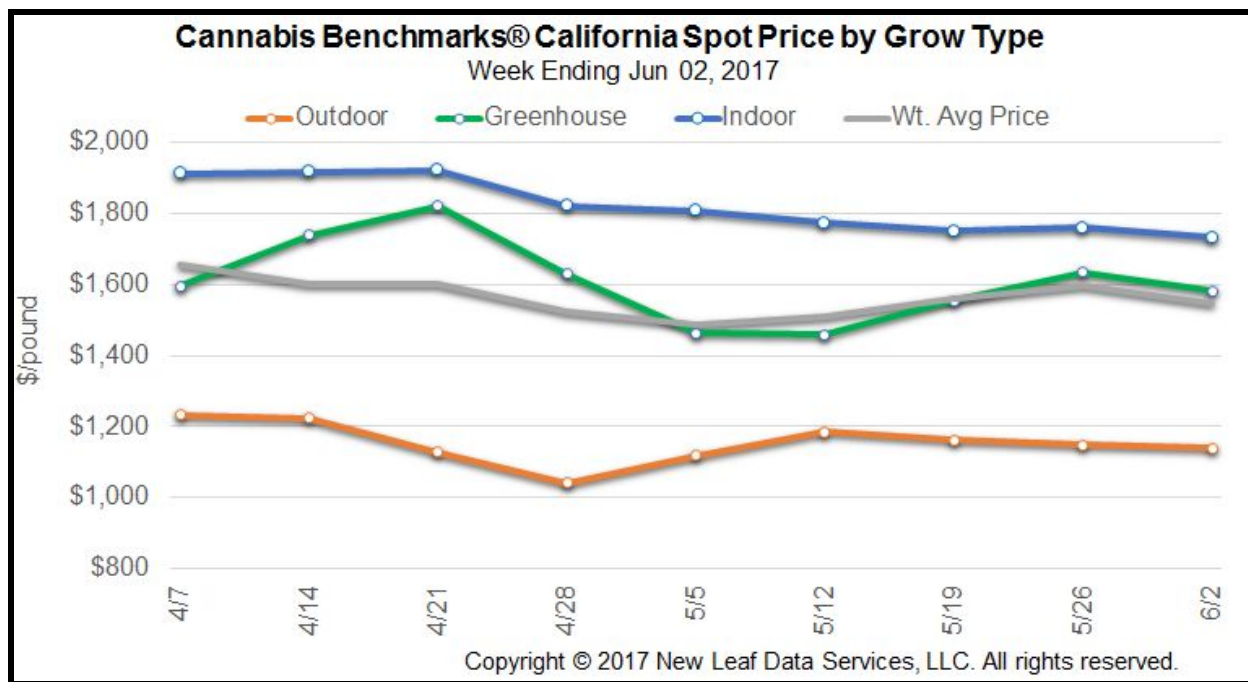
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Cannabis Benchmarks® California Spot Prices (Week Ending Jun 02, 2017)

	Spot Price	Last Week	Week on Week Δ	Low Price	High Price	Average Deal Size
Wt. Avg Price	\$ 1,544	\$ 1,596	-3.2%	\$ 500	\$ 2,700	12.0
Outdoor	\$ 1,139	\$ 1,149	-0.9%	\$ 800	\$ 1,800	14.6
Greenhouse	\$ 1,582	\$ 1,635	-3.2%	\$ 500	\$ 2,500	12.5
Indoor	\$ 1,733	\$ 1,760	-1.5%	\$ 1,400	\$ 2,700	10.9

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Outdoor deals spanned from 0.50 to 100 pounds; the median price was \$1,200 per pound.
Greenhouse deals spanned from 0.50 to 68 pounds; the median price was \$1,700 per pound.
Indoor deals spanned 0.25 to 150 pounds; the median price was \$2,000 per pound.



California's state Spot Index saw its three week run of upward movement interrupted this week, as it declined by 3.2% to settle at \$1,544 per pound. After flirting with the \$1,600 per pound threshold last week for the first time since the weeks around the 4/20 holiday, this week's composite rate moved closer to the average Spot price thus far for 2017, which is \$1,512 per pound.

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Each grow type saw a modest decline in pricing that contributed to the overall drop in the state's Spot Index. Greenhouse-grown product saw the largest proportional fall in its volume-weighted average price, as an over 3% decrease caused rates for such flower to settle at \$1,582 per pound. Product grown under glass or tarp also saw the largest span between its high and low rates - a \$2,000 difference, to be exact - while individual deals were observed to move at as low as \$500 per pound. Such bargain-basement pricing suggests product left over from last year's harvests being cleared out of inventory ahead of early light-deprivation crops being brought in.

Outdoor and warehouse flower saw more modest declines, falling by just under one and 1.5%, respectively. Rates for product of both grow types have been trending downward for several weeks at this point, with indoor flower's volume-weighted average pricing seeing falling rates for much of the previous six weeks, with only a couple instances of modest price rises in the interim.

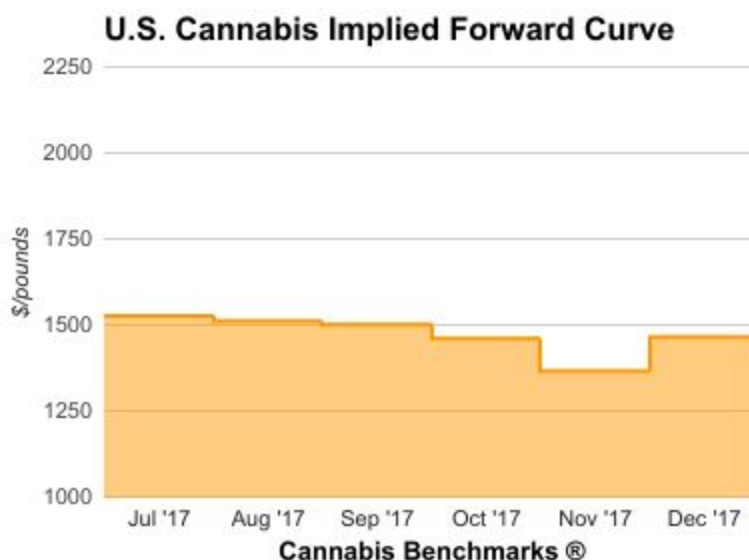
Enforcement against unpermitted cultivation operations in the California Valley - an area located in the central portion of the state - commenced last week, according to The Tribune. According to the report, the California Valley region of San Luis Obispo County experienced a rush of cultivators last year. The cultivation activity prompted the county to enact an emergency ordinance last fall, which resulted in about 500 registrations being submitted to officials. Last week, lawsuits were filed against a handful of cultivators for failing to register their sites under the ordinance. The Tribune report also quotes a county official as stating that more lawsuits are imminent and that, if the courts agree with the county's motions, then plants being cultivated in the operations in question would be destroyed.

While the above report of enforcement - and others - suggest dents being made in California's overall supply, it must be remembered that cultivation activities statewide have expanded in recent years. In the case of the California Valley, any lost supply is product that likely was not being grown as recently as two years ago, while the hundreds of cultivators that registered successfully with the county will add their crops to the state's market this summer and fall.

Overall, the result is still a net addition of product to California's already well-supplied wholesale cannabis market, at least for this year. The Tribune report notes that the San Luis County Board of Supervisors hopes to adopt permanent regulations for commercial cultivation by this fall, and that the latest draft of such rules disallows such operations in the Carrizo Valley Planning Area, in which the California Valley is located.

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December Forward assessed at \$1,465 per pound. Forward arrangements represented 5.2% of overall market activity this week. The average forward deal decreased to 21.7 pounds, from 29.2 pounds last week. The proportion of forward deals for outdoor, greenhouse, and indoor-grown flower represented 56%, 31%, and 13% of forward arrangements, respectively. The average forward deal size for monthly delivery for outdoor, greenhouse, and indoor-grown flower was 26 pounds, 18 pounds, and 10 pounds, respectively.



For the month of May, the U.S. Spot Index averaged \$1,614 per pound, a decline of \$445 per pound, or 21.6%, from the month's 2016 average of \$2,059 per pound. Declining costs of production in some markets, and over supply in others, has resulted in lower average prices each month in 2017 versus the corresponding month in 2016. New supplies from light deprived greenhouse flower (to be harvested on or about June 21st, the summer solstice) are anticipated to reach the market in July, continuing downward pressure on prices; although, a potential delay or diminishment of the year's first light-deprivation harvest in parts of California's Emerald Triangle was discussed in our report for May 19th.

The July, August and September Forwards are each down, with the July Forward representing a discount of 1.8% relative to the current U.S. Spot Index of \$1,553. At \$1,465, the December Forward represents the expectation for some price recovery as the depths of the fall harvest pass and holiday demand increases. For context, the December 2016 average price was \$1,526 per pound, nearly 8% higher than the November 2016 average of \$1,414. As outdoor planting has now been completed in the vast majority of the country's major cultivation regions, looking ahead, a key uncertainty is the impact of potentially bad weather on what is otherwise expected to be an expanded outdoor crop.

The premium or discount for each forward price, relative to the U.S. Spot Index, is illustrated in the table below.

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Cannabis Benchmarks® U.S. Implied Forward Prices (Week Ending June 2, 2017)

Delivery Month	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
This Week's Forward Price	\$ 1,525	\$ 1,510	\$ 1,500	\$ 1,460	\$ 1,365	\$ 1,465
Last Week's Forward Price	\$ 1,600	\$ 1,575	\$ 1,535	\$ 1,460	\$ 1,365	N/A
Change	\$ (75)	\$ (65)	\$ (35)	\$ -	\$ -	N/A
Premium/Discount to Spot	-1.8%	-2.8%	-3.4%	-6.0%	-12.1%	-5.7%

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CALIFORNIA

Last week, we noted that Los Angeles cannabis businesses were apprehensive about their lack of legal protections in the run-up to implement Measure M, a recently-passed ballot initiative giving authority to the City Council to regulate Los Angeles' currently *laissez-faire* industry. We asserted that a transition period for those businesses hoping to gain licenses and pursue legitimacy would be necessary to avoid potentially significant disruptions to commerce. This week, LA Weekly reports that Los Angeles City Councilman Paul Koretz put forward a motion to do just that. According to the report, Koretz's initiative would have the city set up a registry for existing operations that intend to pursue licensure upon the adoption of final rules and the opening of an application period. We have noted in the past that Los Angeles is the country's largest metropolitan cannabis market, with in excess of 1,000 dispensaries thought to be operational in the city. The LA Weekly report includes a quote from Adam Spiker, Executive Director of the Southern California Coalition (SCC), an industry group, postulating that as many as 4,000 - 6,000 commercial growers are operating in Los Angeles as well, an amount that dwarfs the number of cultivation licenses issued by either Colorado or Washington State as a whole.

In northern California, the sentiments of Mendocino County District Attorney David Eyster affirm the apprehensions of Los Angeles cannabis businesses discussed above. A report from the Ukiah Daily Journal states that Eyster has interpreted sentiments expressed by Lori Ajax, Chief of the Bureau of Medical Cannabis Regulation (BMCR), as calling for aggressive enforcement against illicit cannabis operations. The difference between Mendocino County and Los Angeles is that Mendocino, beginning last year, has put structures in place that allow growers to register for a local permit; Los Angeles cannabis businesses have not had that avenue, with only 135 dispensaries provided with limited immunity from prosecution under the city's previous ordinance, Proposition D. As noted above in the Spot Index commentary for California, even if Eyster and Mendocino County officials crack down on illicit growers, the general expansion of cultivation activities in recent years means that statewide supply is unlikely to be diminished

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substantially. Additionally, many of the growers in the crosshairs of law enforcement intend to sell their product across state lines anyway, meaning that the destruction of their crops would not affect commerce in California's legal medical system.

COLORADO

We have noted in previous reports that measures regarding the Colorado state budget moving through the legislature included an increase in the sales tax paid by end consumers in the adult-use market. The tax hike is a relatively modest rise of 2.1%, achieved by raising the special sales tax on adult-use purchases to 15% from the previous 10%, and dropping the 2.9% tax that applies to both adult-use and medical cannabis sales. This week, the Denver Post reported that the spending bill containing the tax increase - Senate Bill 267 - was signed into law by Governor John Hickenlooper. While the effective increase is just 2.1%, it should be noted that the special sales tax on adult-use cannabis purchases was scheduled previously to be reduced to 8% on July 1st. Now, instead of paying an effective rate of 10.9% on their purchases, customers in Colorado's adult-use retailers will see the 15% tax rate beginning in July. However, as retail pricing has decreased in the face of significant drops in wholesale pricing, it is unlikely that a significant amount of consumers will abandon the commercial system due simply to the small tax increase, which amounts to a customer paying \$0.84 extra on a pre-tax purchase of \$40.

Late last week, Hickenlooper also signed Senate Bill 254, the "2017-2018 Long Appropriations Bill" into law, according to a press release from the Governor's office. As the executive branch has constitutional authority over appropriations to agencies under its purview in Colorado, and due to the late passage of the bill at the very end of the legislative session, Hickenlooper was allowed to include "footnotes" to the bill directing executive branch departments to conduct operations according to the instructions contained in the footnotes. Among the footnotes, the Governor's office notes that the Colorado General Assembly intends that funds employed by the state Department of Agriculture (CDA) for the inspection and enforcement of pesticide use on cannabis and hemp be curtailed after FY 2017-2018, barring justification and formal request from CDA. However, according to the budget transmittal letter, Hickenlooper's administration, "believes that the safe use of pesticides on marijuana and industrial hemp crops will remain an indefinite concern for the health and welfare of residents and visitors in Colorado. For this reason, we do intend to revisit this issue during the 2018 Legislative session to seek a more permanent funding solution for this important program." State enforcement actions against pesticide violations have subsided substantially this year after a flurry of them last year.

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OREGON

Oregon's Office of Economic Analysis (OEA) last month released an Economic and Revenue Forecast for the state. Notably, the quarterly forecast is the first in Oregon's history to include an outlook for tax collections on adult-use cannabis. While noting significant uncertainty in projecting sales and tax revenues in a new legal market, the OEA notes that Oregon's first year of licensed adult-use cannabis sales is tracking closely with Colorado's and outpacing Washington's. Overall, the OEA projects that the state will collect about \$67 million in taxes from adult-use sales this year. Since the state imposes a 17% levy, the OEA is essentially predicting that Oregon's sales in the adult-use market this year will reach about \$395 million.

For context, Colorado racked up about \$313 million in adult-use sales in 2014, the first year that the general market was open. However, Colorado also saw over \$385 million in sales in its medical cannabis market that year. As we have noted in the past, most Oregon medical dispensaries have migrated to the adult-use system overseen by the state Liquor Control Commission (OLCC) and registered patients in Oregon can buy tax-free at OLCC-licensed retailers. In last week's Spot Index commentary for Oregon, we used available data and reports from market participants to estimate that total sales made by OLCC shops in 2017 - both taxed ones to general customers and untaxed ones to patients - could end up between \$390 and \$444 million, based on data and estimates that project that between 20 - 30% of sales made by OLCC retailers are untaxed purchases by medical patients. That figure does not include the few dozen remaining medical-only dispensaries, which are persisting primarily in areas of eastern Oregon that have banned the adult-use market from their municipalities.

Measures continue to move through Oregon's legislature that could affect commerce in the state, including allowing lateral transfers of product between commonly-owned retail licensees without requiring a wholesale license, as well as allowing medical growers to sell a certain amount of their production to OLCC-licensed shops or processors. We will continue to monitor those bills and report on their implications. Meanwhile, Casey Houlihan, of ORCA, stated to our analysts this week that with so many producers still in the licensing pipeline, he expects to see declining rates in the coming months as more cultivators come online and begin production.

WASHINGTON

In our reports for April 14th and 21st, we discussed a significant change to Washington State's legal cannabis market: The state was requesting bids for a contract to run the "seed-to-sale" tracking system and the current provider, BioTrackTHC, announced that it would not be submitting a proposal, meaning an entirely new tracking system for the nation's second most advanced cannabis market. This week, the LCB announced Franwell - provider of the METRC

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tracking system used first in Colorado, but now in Oregon and Alaska's adult-use markets as well - as the Apparent Successful Vendor (ASV) to become the new plant and inventory tracking provider for Washington. The LCB's bulletin also points out, however, "The contract has not yet been officially awarded as negotiations have not yet occurred."

Previously, in our April 21st report, we noted that LCB Communications Director Brian Smith shared a preliminary timeline with our analysts that projected the naming of an ASV by May 23rd. Based on the announcement of Franwell as the ASV on May 31st, it appears that the LCB is slightly behind its stated schedule, which projected a start date for the new contract in mid-June. Still, assuming that contract negotiations move according to plan, market participants in Washington should be transitioning from BioTrack to METRC ahead of the harvest season, although BioTrack's contract with Washington State ends officially on October 31st. Whenever it occurs, such a large-scale transition will likely come with some hiccups, which could be amplified if it takes place in the already hectic period around late summer and fall harvests.

RHODE ISLAND

A proposal in the Rhode Island legislature would double the number of dispensaries - referred to as "compassion centers" in the state - from three to six, according to the Providence Journal. The report notes that there are currently almost 18,000 patients registered in Rhode Island and that the state has the highest ratio of patients to dispensaries in the country. However, the Journal quotes a lobbyist for the state's largest dispensary as stating that home growing allowances for patients and caregivers mean that a significant portion of the state's patient base is obtaining their product outside dispensary channels. Rhode Island this year began requiring that patients and caregivers tag their personal plants and the Journal report states that roughly 45,000 plants are being cultivated in the state by such actors, compared to only 4,000 being grown by the three dispensary operations.

Still, medical cannabis sales are growing in the nation's smallest state. According to the Journal, \$17.2 million in sales were recorded in FY 2016, a figure that has already been surpassed in the current fiscal year; \$23.3 million in sales have taken place in FY 2017 as of the end of April. Dispensary purchases in Rhode Island are subject to the state's 7% sales tax plus a 4% surcharge.

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Executive Summary

From the Editor

Welcome to the fifth edition of the Marijuana Business Factbook, produced by the research and editorial team at *Marijuana Business Daily*.

Inside this report, you'll find a host of business and financial information that can be used to start a cannabis business, grow or improve an existing one, land financing, make investments in cannabis companies, identify opportunities and understand the competitive situation as well as the industry at large.

There's a reason many professionals in the industry refer to this as the "Marijuana bible" – it's an invaluable resource for anyone involved in the business of cannabis ... or hoping to get involved.

Once again, we have expanded and strengthened the scope of our research and improved the quality of our data. That means all figures, charts, projections and analysis contained in these pages are new. We've also changed methodologies in some key areas to provide a more nuanced and accurate view of this industry.

Some of the enhanced information included in this edition:

- Further breakdowns of operational and financial information that reflect differing business models. Some examples include:
 - ➔ Data on companies operating in markets without statewide regulations versus their peers in regulated states.
 - ➔ Differences in metrics for infused product companies that also grow their own cannabis versus those that do not.
 - ➔ "Real World Examples" that dive a little deeper into a dataset by highlighting everything from a specific company's startup costs to actual sales for the top cannabis retailers in Washington state to the percentage of markets that allow wholesale cultivation.

- Enhanced third-party data on retail and wholesale cannabis pricing trends, which can be found at the end of chapters 3 and 4.
- New types of data, such as the soil medium growers use, the types of payments retailers accept and how much companies pay each month for banking services.
- Estimated job growth over the past year and going forward through 2021. We also revised our methodology for estimating the number of jobs in the industry based on new information, providing a more accurate view of employment.
- An overview of the potential market size 3-5 years down the road in states that legalized in 2016, including the recreational marijuana industries in California, Maine, Massachusetts and Nevada as well as the medical industries in Arkansas, Florida (which expanded its CBD-focused program by legalizing a broader, full-strength MMJ program), Louisiana (which paved the way for a regulated industry), North Dakota, Ohio and Pennsylvania. This information can be found at the end of Chapter 2.

And of course, we have included all the information readers have come to rely on, such as profitability and revenue metrics for businesses in each major sector of the industry, retail sales projections nationally and by state, economic impact estimates.

This year our data analyst Eli McVey spearheaded the Factbook. His experience working both within the industry and outside of it, notably at the prestigious research firm Nielsen, helped us take this report to the next level. The rest of the Marijuana Business Daily editorial team also contributed, including reporters John Schroyer, Bart Schaneman and Omar Sacirbey as well as our senior editors Roger Fillion and Kevin Huhn.

It's important to note that we are somewhat conservative with our estimates and projections, both for the existing industry and its potential growth going forward. We strive to provide realistic numbers, not make the industry appear bigger than it really is. We don't lobby, offer investments, provide consulting services or have any other reason to publish hype.

As a result, our estimates for national and state-level retail marijuana revenues are often lower than many other projections out there. We believe a conservative approach will help you make sound business decisions, and we have a solid track record with our estimates despite the huge amount of uncertainty and lack of reliable data in general. Most of the estimates we've made in the past turn out to be spot-on. If we need to revise numbers, it often involves revising them upward – not downward.

A couple of quick notes on using this Factbook:

- If you're interested in overarching national data, start with Chapter 1 for a look at retail sales estimates for the U.S. marijuana industry, economic impact projections, employment figures and a look at overarching financial data for the major niches.

- If you want an overview of each state's market – including estimated sales, approved medical conditions, whether home grows are allowed and stability/opportunity rankings – head to Chapter 2.
- If you're seeking financial and operational benchmark data such as startup costs, profitability metrics and average revenue for retailers, dive into Chapter 3.
- If you're looking for financial and operational benchmark data for cultivators, head to Chapter 4.
- If you are interested in financial and operational benchmark data for infused product companies, flip to Chapter 5.
- If you want an overview of financial and operational data for testing labs and ancillary companies, check out Chapter 6.
- If you're an investor in the industry or are seeking financing data, go to Chapter 7 for information on everything from how much companies are hoping to raise to sources of capital MJ businesses have used to launch and typical investor returns.
- For a rundown of our methodology, read the Appendix at the end of this report.

If you have any suggestions or want to provide feedback, please contact me at chrisw@mjbizdaily.com or reach out to our data analyst Eli McVey at elim@mjbizdaily.com.

Best of luck with your cannabis business endeavors,



A handwritten signature in dark ink that reads "Chris Walsh". The signature is fluid and cursive, with a large initial "C".

Chris Walsh
Editorial Director

Note: Want to publish or use our charts and numbers somewhere else? The charts and tables in this Executive Summary are yours to use with proper attribution, as long as you don't alter them in any way.

Overview & Key Takeaways

The number of technology companies serving the marijuana industry has grown substantially in recent years, providing insights into everything from retail sales to wholesale cannabis pricing and consumer purchasing patterns. Just a few short years ago, entrepreneurs, executives and investors had almost no hard information by which to make decisions and instead had to rely largely on gut feelings.

But there's still a substantial lack of even basic financial and operational information about the companies in this space and the industry at large.

There are several reasons for this:

- The federal government doesn't track the industry, so information on jobs, the number of companies in the space and taxes paid simply isn't available across the industry as a whole.
- Each state approaches its cannabis industry differently. A handful provide solid in-depth data, such as tax revenue generated from the industry, the names of all licensed companies and monthly or annual retail sales. But most states do not. Some don't even keep track of how many patients participate in their programs.
- The industry still doesn't have a solid presence on the public markets. Entrepreneurs can typically glean useful information by examining the filings and financial statements of publicly traded companies. However, the vast majority of cannabis companies are privately held, while most publicly traded marijuana firms are listed on the over-the-counter markets, where the reporting and disclosure requirements are light. While some insights can be gained from documents filed by publicly traded cannabis companies, these reports are generally unaudited and only represent a sliver of the marketplace.
- Tax returns for nonprofit organizations are in the public domain, and many medical dispensaries must operate in a not-for-profit manner. However, their status as such is not formally recognized by the IRS, and therefore their tax returns are not publicly available.

As a result, business owners and investors don't have the types of financial information, benchmark data and in-depth market insight necessary to help them make decisions, assess the competition, target investments and tackle new opportunities. This report helps to fill that void by providing exclusive data and insight into these areas, relying on information gleaned from our annual survey of cannabis professionals, our third-party data partners, our institutional knowledge and expertise, and interviews with marijuana executives and experts (refer to the methodology section of the Appendix for details).

The lion's share of financial and operational data in this report stems from our annual online survey of cannabis professionals. This year's Factbook includes the responses of more than 800 business owners, executives, entrepreneurs and investors. Their input helped give us a window into operational data for the main sectors of the industry: retail, cultivation, infused products, testing, ancillary technology/products and ancillary services. Additionally, survey responses are behind most of the data in an entire chapter on funding and investing.

We also utilize data-sharing partnerships with reputable firms in the industry, allowing us to provide an in-depth look at two major areas: point-of-sale transactions and wholesale cannabis pricing. *Marijuana Business Daily* would like to extend special gratitude to the following data partners for their contributions to this book:

- Headset, which provides business intelligence and analytics services for marijuana businesses.
- Cannabis Benchmarks, a division of New Leaf Data Services LLC, which tracks wholesale medical and recreational cannabis prices across the United States.

Data from these partners is featured in chapters 3 and 4, and more information on each of these companies can be found in the Appendix.

Additionally, *Marijuana Business Daily* would like to thank the following individuals and organizations for their support in spreading the word about this year's survey of cannabis professionals and providing valuable market expertise:

Apeks Supercritical, Canna Advisors, Cannabis Business Alliance, Charles Bachtell of Cresco Labs, Custom Vault, DB3, Denver Relief Consulting, Dixie Brands, Green Rush Consulting, Guardian Data Systems, Headset, Kristi Knoblich of Kiva Confections, Noah Novello of LivWell, Medicine Man Technologies, MJardin, Quantum 9, Sapphire Risk Advisory Group, SIVA Enterprises.

5 Key Takeaways

This report is meant to serve as a detailed point of reference with specific data points and figures. However, there are larger trends and themes that emerge after sifting through the full data set of survey responses and performing the research for this book. Below is an overview of these key takeaways:

1 Businesses are increasingly concerned about the possibility of federal intervention

The commercial marijuana industry exists on a state-by-state basis, and all medical and recreational programs are technically in violation of federal drug laws. The U.S. Department of Justice issued some guidelines in recent years that helped the marijuana industry gain traction, but these are not legally binding and could theoretically be nullified at any time.

So it's easy to understand why cannabis businesses are worried about the future under a new administration. President Trump's pick to head the Department of Justice, Jeff Sessions, has made his disdain for marijuana abundantly clear. Furthermore, the Trump administration's first public comment on the nation's marijuana industry seemed to suggest greater enforcement of federal marijuana laws are forthcoming, though in what shape or form is anybody's guess.

In our 2016 survey of cannabis professionals, the threat of federal intervention ranked as the third-most prevalent challenge facing marijuana business owners. This year, it took the top spot – reflecting the cloud of uncertainty hovering over the marijuana industry. That uncertainty could affect everything from expansion plans to investments to overall growth in 2017 and beyond.

2 Investment deals are increasing in size, frequency and scope

Investors – especially those unfamiliar with the cannabis market – have traditionally been hesitant to invest in an industry the federal government still views as illegal. While this still holds true for major institutional investors, smaller firms and groups of wealthy individuals are becoming increasingly interested in the cannabis space. In 2016, for instance, the private equity firm Tuatara Capital raised \$93 million for investments in cannabis businesses, a record for the marijuana industry.

Our survey found that investors who have already pumped money into the cannabis industry are planning on putting capital into nearly as many marijuana businesses in 2017 as they have in all previous years combined – a revealing statistic that shows just how optimistic investors are for the future of the marijuana industry.

3 Business conditions are worsening for growers

Though it's still early days for the cannabis industry overall, the wholesale cultivation segment has already become saturated in large, mature markets like Colorado and Washington state. More growers entered the industry upon recreational legalization, and existing MMJ cultivators greatly expanded their operations. Despite rising adult-use sales, the increase in production proved even greater than demand – sending wholesale cannabis prices plummeting. Some cultivators that shelled out for expensive indoor facilities are finding that costs of production now exceed the market price per pound of cannabis.

More than any other segment of the industry, wholesale cultivators that took our survey anticipate their financial conditions will worsen over the next 12 months. Investors appear to have taken notice as well, signaling their intentions to reign in investment activity within this segment of the industry.

4 Rec market continues surging

As the first state in the nation to legalize recreational marijuana, Colorado's adult-use market got off to an extremely strong start – routinely posting monthly sales gains in the double digits. Washington state's recreational market also boomed once it got over some initial hurdles after launching in 2014.

But many expected that, over time, sales would begin to slow, especially as more states legalized rec cannabis and the novelty wore off.

So far, however, sales have only continued to rise. In Washington state and Colorado, rec customers spent over \$1.5 billion on marijuana in 2016, ballooning a combined 66% from the previous year. Rec sales tripled in Oregon from February to August 2016, though they were hurt by the implementation of strict new testing standards. The sales figures are especially striking because they come amid a time of historically low wholesale marijuana prices, implying that demand is even stronger than sales would suggest. Additionally, Oregon and Washington are neighbors, and the fact that both have functioning recreational marijuana industries hasn't led to any slowdown in sales in either market.

While it remains to be seen how rec markets in 2017 will ultimately fare, early figures out of Colorado and Washington state show sales are at levels way above this same time last year – illustrating the growth potential these relatively mature markets still possess.

5 It's taking companies longer to turn a profit

Just a couple of years ago, running a profitable marijuana company was simply a matter of getting the business off the ground and opening your doors. But the industry

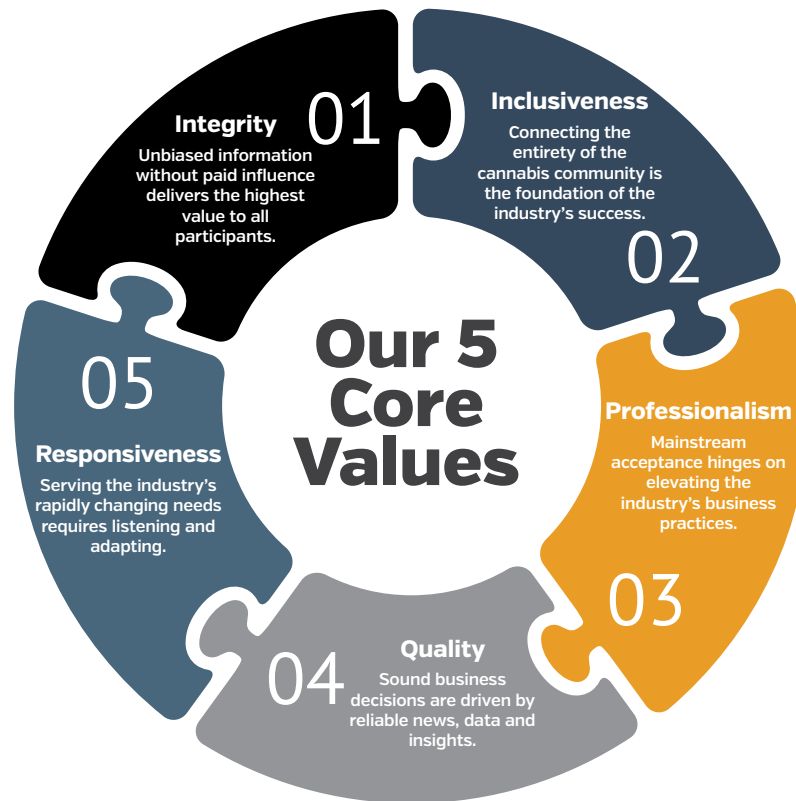
has evolved at a rapid pace, and a huge number of new businesses entering the cannabis space has raised the level of competition considerably. In major recreational markets like Seattle, Denver and Portland, consumers have access to numerous retail stores and an overwhelming amount of product options.

At the same time, startup costs are rising rapidly. It now can cost hundreds of thousands of dollars, or even millions, to launch a plant-touching company, while just a few years ago it cost half that or less in many markets.

Naturally, therefore, it's taking companies longer to climb into the black. In early 2016, nearly 70% of retailers, wholesale cultivators and infused product manufacturers said they had reached break-even or profitability within a year. In our 2017 survey, about 55% of these businesses said they reached the break-even point or hit profitability within a year.

Profitability is by no means unattainable for cannabis businesses; generally speaking, most of these companies are doing quite well. But market forces are unavoidable, and they'll continue forcing marijuana businesses to adapt and improve in order to succeed.

Who's Behind This Factbook?



Founded in early 2011, *Marijuana Business Daily*® focuses solely on cannabis businesses and the investors who back them.

If you are leading or financing a cannabis-related company, we help you prosper via trusted information services and exceptional events.

Our publications have the highest business readership in the industry. Our events are sellouts, time after time. We've been featured everywhere

from *Harvard Business Review* to *Forbes*, *Fortune*, *Fast Company* and *Inc. Magazine*.

Do you need practical information, real-life data or industry connections to help your business grow? You'll find what you need in one of our publications, or at our national events.

We are here to help the multibillion-dollar cannabis industry prosper. Let us know how we can serve you.

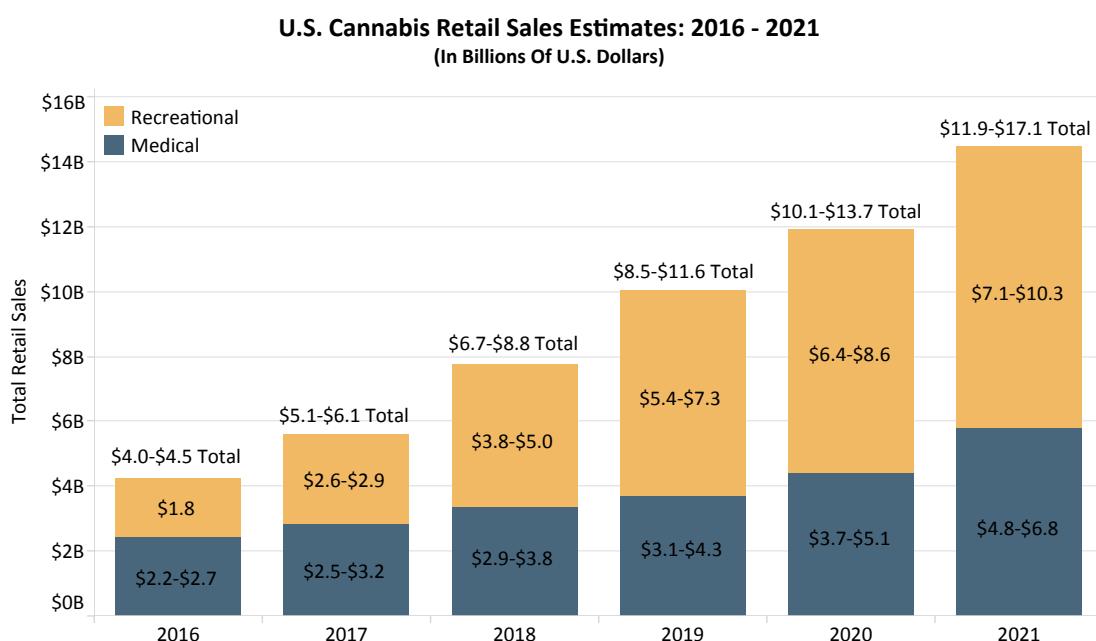
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Executive Summary: 12 Key Charts

The marijuana floodgates are bursting wide open.

In 2017, we expect overall marijuana sales in the United States at the retail level to soar by roughly 30%, hitting \$5.1 billion-\$6.1 billion on the back of continued growth in existing recreational cannabis markets. In fact, rec sales are expected to surpass medical this year for the first time ever. Medical marijuana sales also are expected to buoy the industry, fueled in part by the expected launch of MMJ markets in Maryland and Hawaii. At the same time, fledgling medical marijuana programs in states such as Illinois, Nevada and New York could post impressive growth this year.



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The expected growth this year comes after a solid 2016, when recreational cannabis sales jumped by 80% to hit \$1.8 billion. Colorado and Washington led the charge, while Oregon's adult-use market posted strong sales gains in its first full calendar year of operation. The industry also saw a spike in medical marijuana sales last year, as patient counts rose in new MMJ states and continued climbing in mature markets like Arizona and Michigan.

The 2017 Marijuana Business Factbook provides an in-depth look at the immense year-over-year growth the industry has experienced and offers exclusive projections on where it's headed. Be sure to check out Chapter 2 for an overview of every medical and rec state, including estimated sales, business stability and opportunity rankings, and how each market fits into the big picture.

Although this year is shaping up to be another one for the record books, the longer-term growth potential for the industry is even more promising.

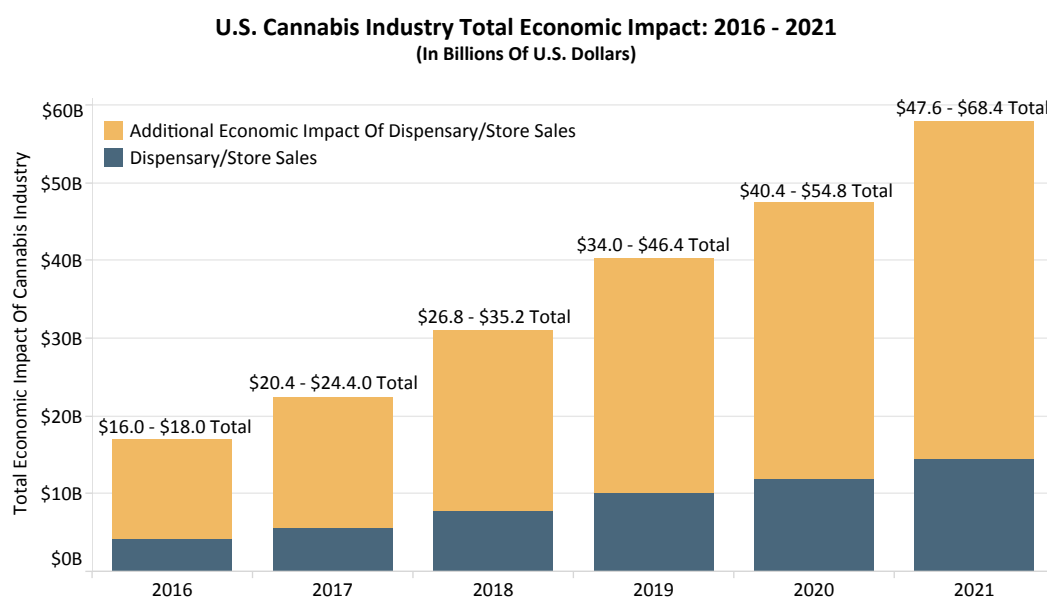
The majority of the 11 states that legalized medical or recreational marijuana in 2016 (or passed laws that will create state-regulated industries) are aiming to start sales in 2018, including the potentially massive adult-use markets in California and Massachusetts. Nevada, which will allow an early start to adult-use sales starting in July 2017, will also start hitting its stride on the rec front next year. Delays in program rollouts – a common occurrence in new markets – could push some of this growth into 2019, but sales should still increase sizably next year.

These new markets, as well as other states that legalize in the near future, will set the stage for impressive growth over the next five years. By 2021, we project that annual retail marijuana sales in the United States could top \$17 billion, which would represent a 300% increase from 2016.

Of course, there's a big caveat: The election of Donald Trump as U.S. president has cast a cloud of uncertainty over the industry. Recent statements by some White House officials – including Attorney General Jeff Sessions – have marijuana business owners concerned. Though it remains unclear as to how the Trump administration will ultimately approach the industry, increased enforcement of federal regulations could have a significant impact on future sales.

Note that our goal is to provide conservative, realistic financial forecasts that reflect the high degree of uncertainty in the industry. Total cannabis sales in any given calendar year are highly dependent upon progress made – or not made – in each individual state. California is the big wild card at present, as the lack of a statewide regulatory system makes it difficult to get a handle on the exact size of this enormous market. As more information comes to light over time, it could change our estimates for California and, therefore, the industry at large.

The increase in retail sales over the next five years will provide a substantial economic boost for the United States.



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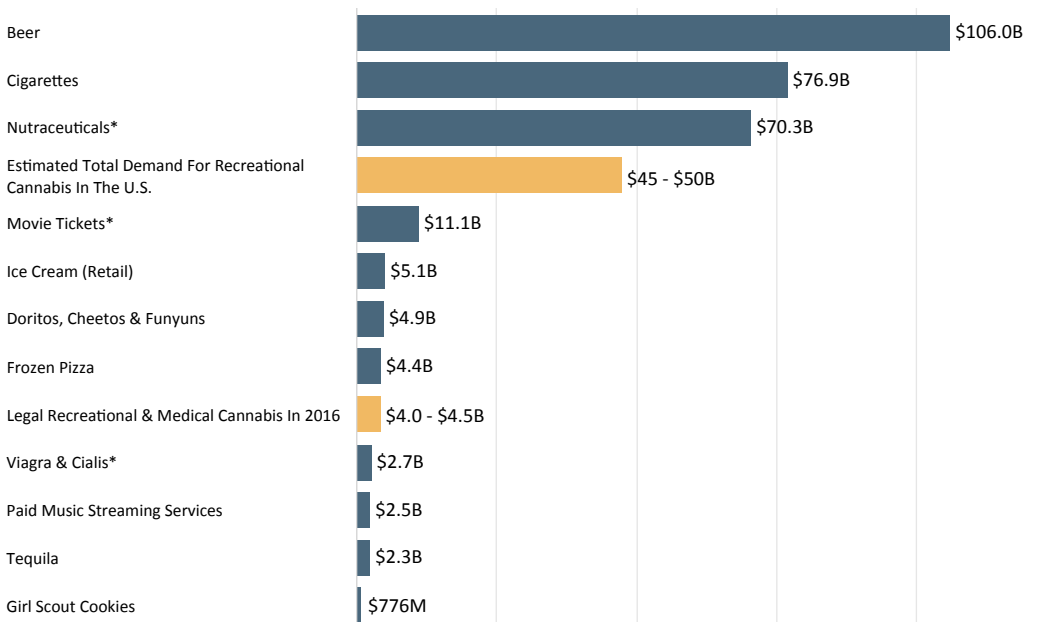
Our estimates for the industry's economic impact are based on retail marijuana sales and incorporate a multiplier of four. So for every \$1 consumers/patients spend at dispensaries or rec stores, another \$3 in economic benefits are created in cities, states and nationwide.

Based on this metric, the marijuana industry will create a \$20 billion-\$24 billion economic impact in 2017. By 2021, that could soar to \$70 billion annually.

Some of the many examples of the industry's overall economic impact include:

- The launch of cultivation businesses, dispensaries/rec shops and infused product companies spurs real estate and construction activity. Many grows, for instance, now occupy warehouse space that was previously vacant, while a fair share of retailers took over and renovated dilapidated storefronts.
- Employees of cannabis companies spend their dollars on everything from housing and food to entertainment and travel, benefiting other businesses along the way.
- Marijuana businesses collectively pay hundreds of millions of dollars in state and local taxes, which are then used to fund projects and support government programs.
- Tourists visit rec states to purchase and consume cannabis, while marijuana business professionals travel for meetings, conferences and market research – infusing tourism dollars into a state.

Annual U.S. Cannabis Sales Vs. Other Industries & Goods



*Includes U.S. and Canada

Source: Brewers Association, IRI, Mordor Intelligence, MPAA, Statista, Eli Lilly and Company, Pfizer, RIAA, U.S. Distilled Spirits Council

Note: All data is for 2015 or 2016, most recent figures are reported in the chart.

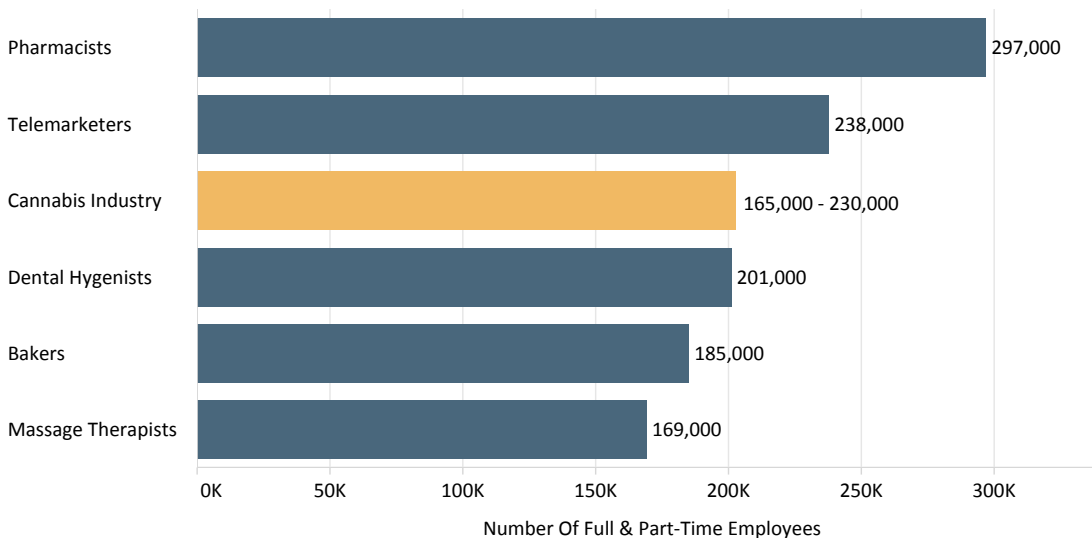
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How do marijuana sales stack up to comparable products and other consumer goods?

In 2016, sales of medical and recreational cannabis surpassed revenue generated from Viagra and Cialis – two of the leading erectile dysfunction drugs on the market – music streaming services and Girl Scout Cookies. This year, cannabis could eclipse the popular snack foods Doritos, Cheetos and Funyuns, as well as ice cream sales.

The estimated total demand for marijuana in the United States, including the black market, is around \$45 billion to \$50 billion, according to our estimates. If the federal government legalized marijuana nationwide, sales might start out at around that level but would likely quickly rise as cannabis gained mainstream acceptance and the market evolved. Eventually, marijuana could top cigarettes and possibly rival even beer in terms of overall sales.

Number Of Employees: Cannabis Industry Compared To Mainstream Professions



Source: U.S. Bureau Of Labor Statistics Employment Projections: 2014-2024

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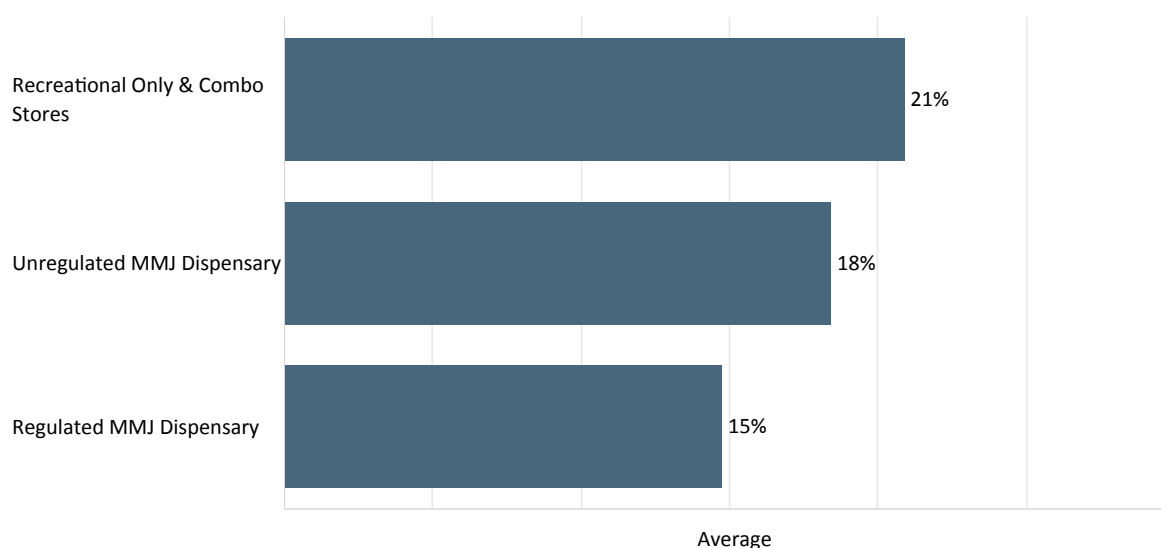
To get another idea of just how big the marijuana industry has become, look to employment numbers. The cannabis sector now employs between 165,000-230,000 full and part-time workers. This estimate includes plant-touching companies and ancillary companies that glean a sizable portion of their revenue from the marijuana industry (not including those that have extremely limited exposure to cannabis businesses). To put this in perspective, there are now more marijuana industry workers than there are bakers or massage therapists in the United States. Check out the 2017 Factbook for a look at employment growth from 2016 to 2017 as well as through 2021.

Data Snapshot By Sector

Here's a look at some key metrics for each major sector of the marijuana industry: retailers, wholesale cultivators, infused products companies, ancillary businesses and investing/funding.

Retail

Average Profit Margin For Dispensaries & Rec Stores By Store Type



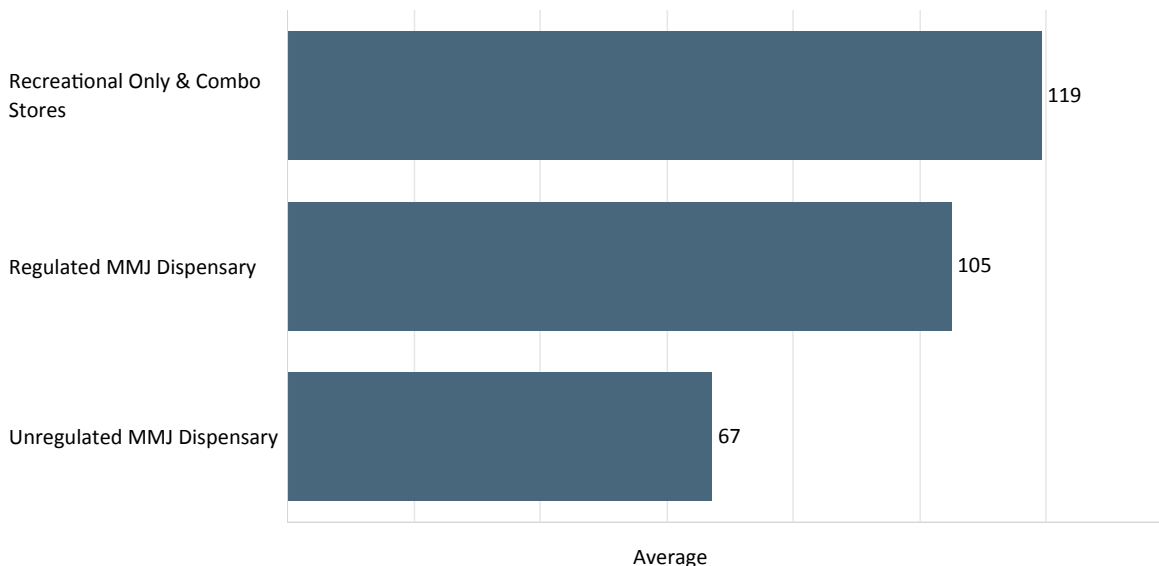
Note: Profits are calculated on an after-tax basis.

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Medical marijuana dispensaries and recreational cannabis stores are fairly sound businesses from a financial perspective, with average profit margins coming in around 19%. But as with every metric in this industry, profit margins can vary widely based on the various business climates and regulatory structures of each state and municipality.

Rec shops and businesses that sell both adult-use and medical cannabis typically post the highest profit margins, driven by strong demand and falling wholesale cannabis prices.

Unregulated medical dispensaries report average profit margins of 18%, which is somewhat higher than their regulated peers. Considering that unregulated dispensaries don't face heavy ongoing costs tied to legal and regulatory compliance – or, in some cases, pay any taxes – this is not surprising. However, as you can read about in more detail in the full edition of the 2017 Factbook, a bigger portion of unregulated dispensaries are still trying to reach break-even than regulated MMJ storefronts.

Average Number Of Daily Customers For Dispensaries & Rec Stores

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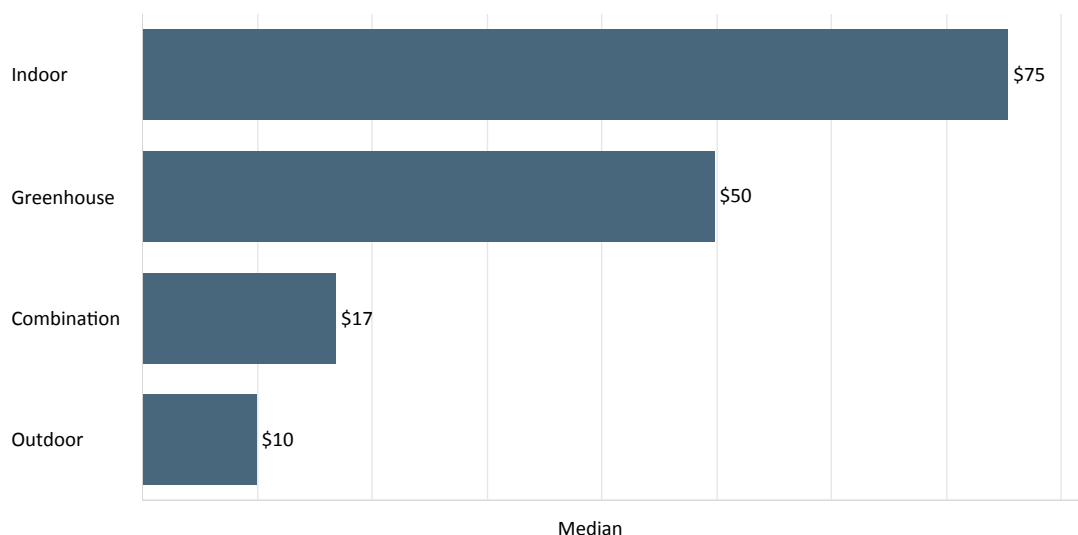
A benchmark figure in the retail side of the cannabis industry is the number of patients/customers served, which can help drive business decisions and provide insight into revenue and profitability.

For the first time this year, we separated unregulated dispensaries in markets without strong statewide oversight – namely California, Michigan and Montana, which are all implementing comprehensive regulations in the near future – to give a clearer picture of how key metrics differ within the retail sector. As you can see, unregulated medical marijuana dispensaries handle about half as many patients each day as regulated dispensaries, explaining why these businesses typically generate less revenue than dispensaries/rec stores in the regulated medical and recreational markets (see the full 2017 Factbook for a breakdown of sales by business type).

Rec stores and businesses that sell both adult-use cannabis and medical marijuana see about 119 customers each day, reflecting immense demand from both locals and tourists.

Cultivation

While not permitted in all states, wholesale cultivators represent the backbone for much of the marijuana industry. In recreational markets especially, surging consumer demand prompted many new entrepreneurs to enter this segment of the market, raising the level of competition while driving the price of wholesale cannabis to record-low levels. That's made it all the more important for growers to find efficient ways of producing high-quality cannabis on a consistent basis.

Wholesale Cultivator Typical Startup Costs Per Square Foot By Cultivation Type

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A cost-per-square-foot analysis highlights the difference in up-front expenditures between the different cultivation types. Each method has its benefits and drawbacks, and advances in cultivation technology continues to change the equation. Chapter 4 of the Factbook delves deeper into this area, examining the financial viability of a large upfront investment based on factors such as profit margins and operating costs by cultivation type.

Primary Growing Medium Used By Wholesale Cultivators

	Soil	Coco Coir	Other	Rockwool	Water	Perlite
Indoor	32%	30%	9%	16%	10%	3%
Greenhouse	50%	17%	33%	-	-	-
Combination	74%	7%	15%	2%	-	2%

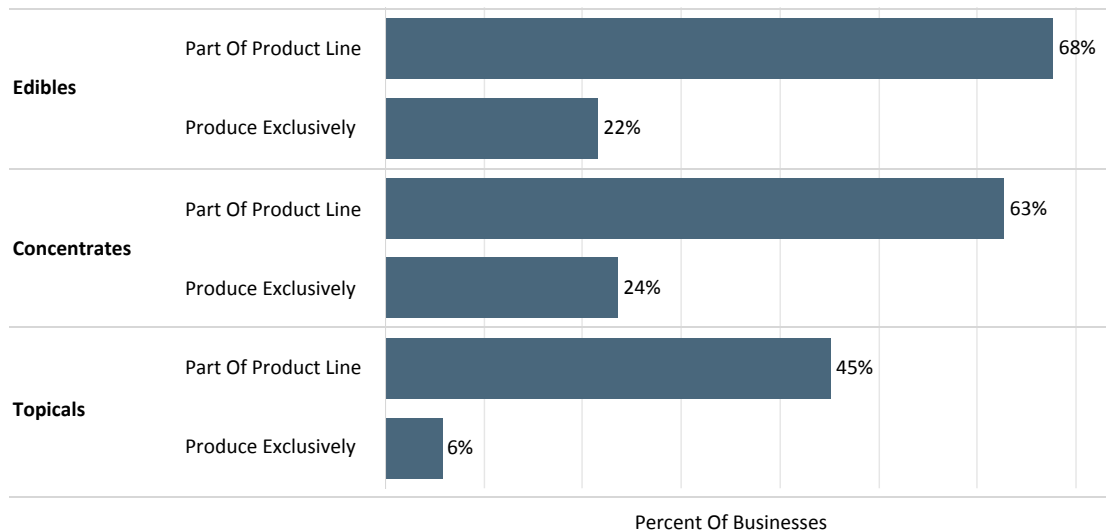
As the industry matures, cultivators continue to refine their growing processes – with many incorporating the techniques and technologies found in more mainstream sectors of the agricultural industry into their operations.

Growing mediums are an important part of cultivators' ongoing efforts to scale their operations – increasing yields and boosting quality to remain viable in an increasingly competitive market.

This year, the Factbook provides some new cultivation-related metrics in Chapter 4, including the primary growing medium used by wholesale cultivators.

Infused Products/Concentrates Companies

Which Products Do Infused Manufacturers Typically Make?



Note: Multiple-choice question; respondent total may be greater than 100%.

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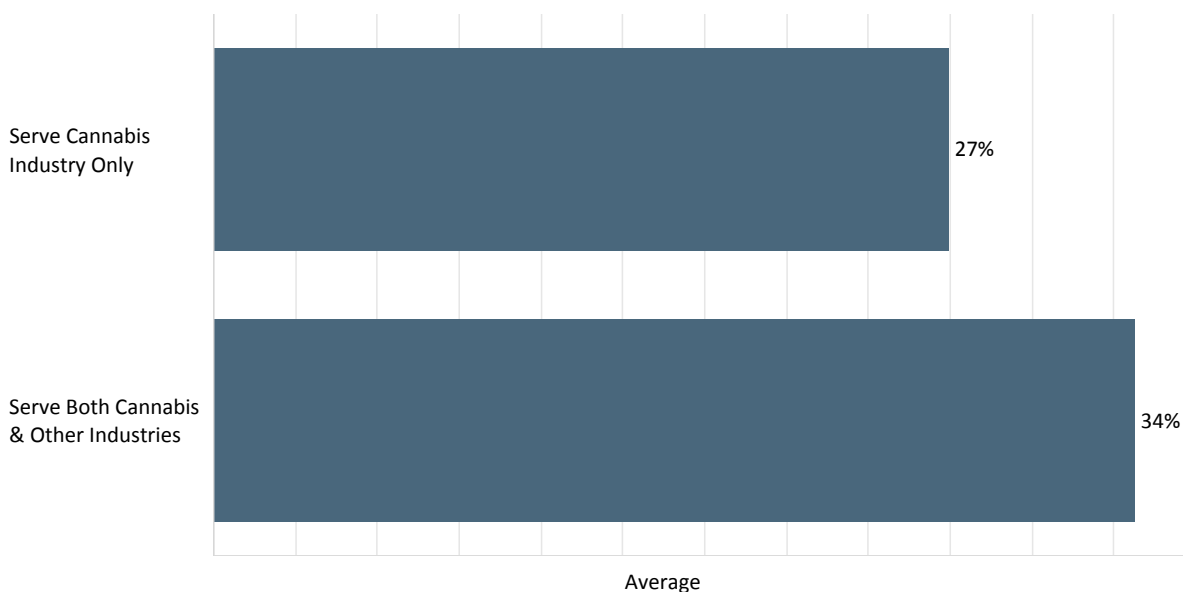
Infused products and edibles are the fastest growing category in the cannabis industry, proving extremely popular with recreational consumers and medical patients alike. While flower still accounts for the majority of retail sales, concentrates and edibles continue to eat into flower's share of the market with each passing year.

Manufacturers have taken notice and are extending product lines to occupy multiple segments of the infused products category. While this may maximize revenue in the short term, the industry grows more sophisticated by the day – and manufacturers that specialize on providing a top-quality product to a very narrow portion of the market may end up finding more success than those spread across multiple categories.

Chapter 5 provides further insight for this sector of the industry, including startup costs, number of products produced and more.

Ancillary Firms

Profitable Ancillary Services Firms: Average Profit Margin



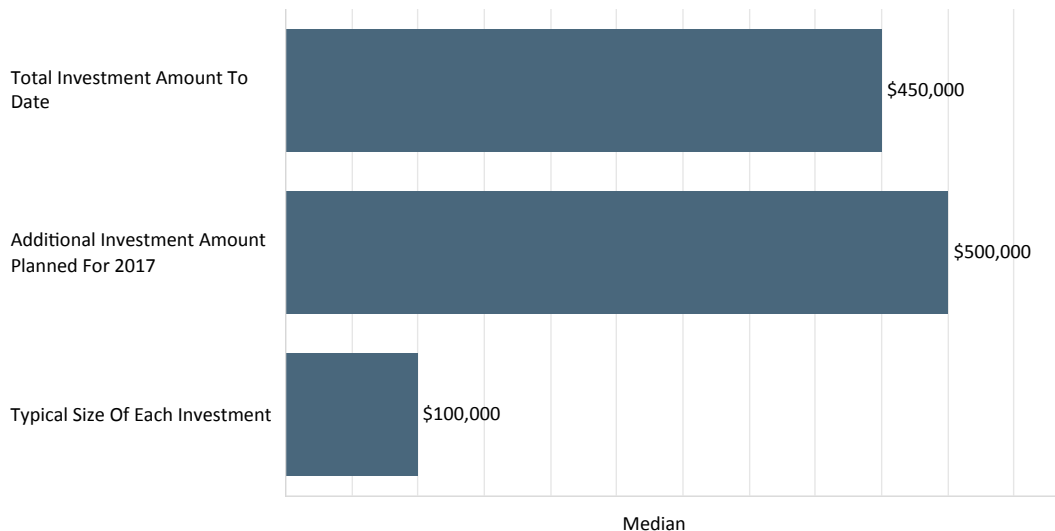
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Though marijuana businesses face a number of challenges unique to the cannabis industry, they still require many of the same goods and services as companies in the mainstream economy. A huge number of ancillary companies – businesses that don't work with marijuana plants directly – have sprung up around the cannabis industry, offering traditional services such as accounting and marketing. Some cater to the cannabis industry exclusively, while others serve clients in multiple markets, including marijuana. In either case, ancillary services firms involved in the marijuana industry are generating excellent returns.

Ancillary businesses represent the largest and broadest segment of the marijuana industry, and Chapter 6 delves into much more detail regarding the financial realities and opportunities for a wide number of ancillary service types and product categories.

Investing & Funding

Cannabis Industry Investors: Typical Investment Amount To Date, Additional Investment Amount Planned For 2017 & Size Of Each Investment

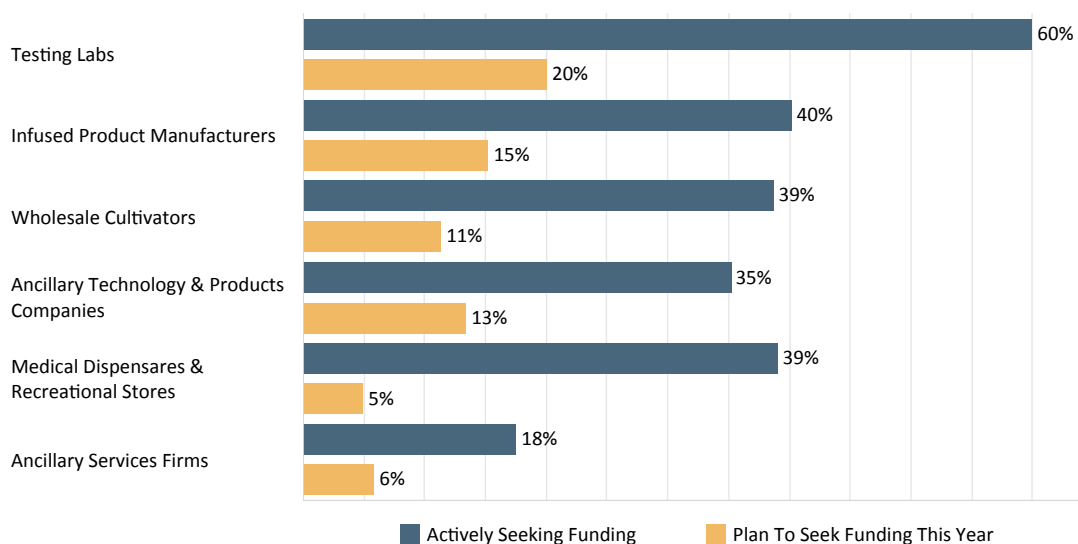


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The level of sophistication and involvement among investors in the marijuana industry varies quite widely, as some belong to cannabis-specific venture capital firms while others have taken a material interest in a friend or family member's cannabis business. For example, only a handful of investors in our survey indicated they intend to invest over \$25 million in cannabis companies this year alone, whereas a large portion of respondents plan to invest less than \$20,000.

But in general, more investors are pumping money into the cannabis industry than ever before, and they're also increasing the size of their capital placements. The average investor/investment firm involved in the marijuana industry has placed \$450,000 in cannabis companies to date, with each investment coming in around \$100,000. But investors are looking to place much bigger bets in 2017. According to our survey for the Factbook, investors plan to invest half a million dollars on average in marijuana businesses this year alone.

Percentage Of Operational Marijuana Businesses Actively Seeking Funding Or Planning To In 2017



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While an increasing number of investors are eyeing cannabis plays, it appears they have more opportunities than ever before as well. Fifty percent or more of testing labs, infused products companies, wholesale cultivators and ancillary technology/products companies are either actively seeking financing or are planning to in 2017. The funding needs in this industry are strong, as there's a huge influx of startups each year. At the same time, many existing companies are looking to expand locally and even across state border as the industry evolves, which often requires a cash infusion.

Each sector of the industry also faces different challenges and opportunities that then impact their funding needs. Wholesale cultivators in several markets, for instance, have been battered by decreasing prices, and additional funding may be necessary for many of these businesses to survive. Turning a profit comes down to a cultivator's ability to produce high-quality products with an extreme level of efficiency, but the costs of building a facility to meet these needs are substantial. Many growers also are switching to or incorporating greenhouses and therefore need a substantial investment at the outset.

The good news is that cannabis businesses will have more access to capital than in the past, assuming the Trump administration doesn't send a chill throughout the industry. There's no doubt that plenty of wealthy individuals and investment firms will throw "stupid money" at entrepreneurs to capitalize on the Green Rush. But investors in the marijuana space also are becoming increasingly discerning. Companies seeking money will still need solid business plans to land financing and avoid the pitfalls (detailed in Chapter 7) investors say can easily sink a potential deal.

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 Connecticut
 Delaware
 Florida
 Hawaii
 Illinois
 Louisiana
 Maine | Medical Marijuana
 Maine | Recreational
 Maryland
 Massachusetts | Medical Marijuana
 Massachusetts | Recreational
 Michigan
 Minnesota
 Montana
 Nevada | Medical Marijuana
 Nevada | Recreational
 New Hampshire
 New Jersey
 New Mexico
 New York
 North Dakota
 Ohio
 Oregon | Medical Marijuana
 Oregon | Recreational
 Pennsylvania
 Rhode Island
 Vermont
 Washington DC | Medical Marijuana
 Washington DC | Recreational
 Washington State | Medical Marijuana
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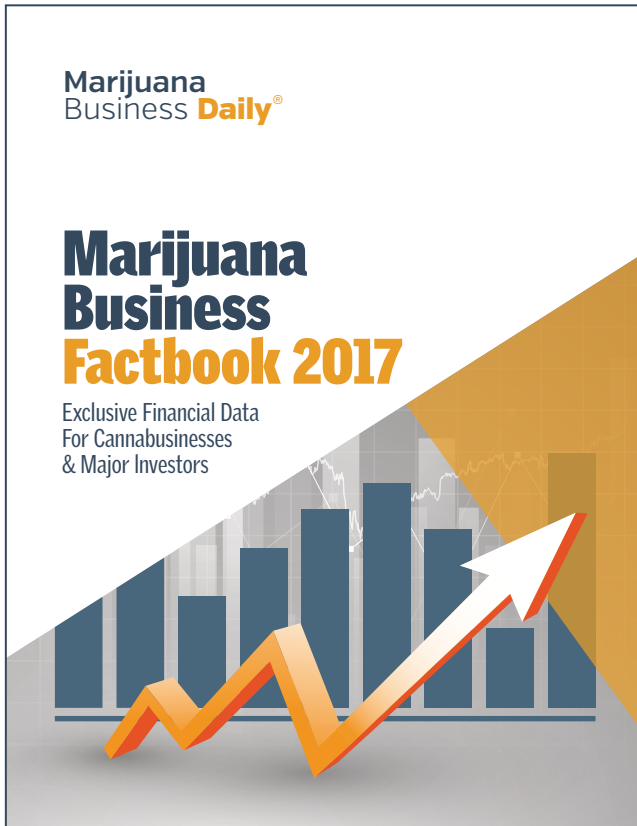
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 Headset®

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Michael Salvador, Chief of Police

City of Coalinga

Police Department

270 N. Sixth St.
Coalinga, CA 93210
Phone: (559) 935-1525
Fax: (559) 935-1525
E-Mail: police@coalinga.com

January 23, 2017

VIA US MAIL

California Green Tree Development, LLC
Att: Marshall Field
4370 Park Monte Nord
Calabasas, CA 91302

Re: Approval of Commercial Cannabis License

Mr. Field:

The Coalinga Police Department would like to inform you that we have reviewed your commercial marijuana registration application package. The Coalinga Police Department determined that all the requirements of the Coalinga Commercial Marijuana Regulations have been satisfied. Therefore, this letter will serve as your official **APPROVAL** to operate a Commercial Marijuana Operation in the City of Coalinga contingent on certificate of occupancy. The City of Coalinga will provide you an official license certificate at the time occupancy is granted by the Building Official and final site approval by the City. Below are the details of the approved licenses and location:

License Types: Type 3B (Large mixed Cultivation) & Type 12 (Transportation)

Location: 1851 Mercantile, Coalinga, CA 93210

Owner: Marshall Field, Dba. California Green Tree Development, LLC.

Taxable Square Footage: 10,458 (Type 3B) & 1,494 (Type 12)

If you should have any questions, comments and/or concerns, please do not hesitate to contact me at 559-935-2313 or by email at msalvador@coalinga.com

Sincerely,

Chief of Police



January 26, 2017

VIA US MAIL & EMAIL

California Green Tree Development, LLC
Attn: Marshall Field
4370 Park Monte Nord
Calabasas, CA 91302

Re: Industrial Facility Site Plan Review 16-04, 1851 Mercantile Lane (APN:083-280-11ST)

Mr. Field:

On November 28, 2016 the City of Coalinga received your site plan review application for a Commercial Cannabis Facility to be located at 1851 Mercantile Lane. The City has been able to confirm that you now meet the requirement of site control and the site plan has been accepted for processing in addition to receiving the \$1,200 requested deposit for actual costs.

The hearing date for your project has been scheduled for **February 28, 2017** at 6pm in the City Council Chambers located at 155 W. Durian, Coalinga, CA 93210.

If you should have any questions, comments and/or concerns, please do not hesitate to contact me at (559)935-1533 x143 or sbrewer@coalinga.com.

Sincerely,



Sean Brewer, Community Development Director

Cc: File
City Manager, Marissa Trejo



CITY OF COALINGA
The Sunny Side of the Valley

March 1, 2017

VIA US MAIL & EMAIL

California Green Tree Development, LLC
Attn: Marshall Field
4370 Park Monte Nord
Calabasas, CA 91302

Re: Industrial Facility Site Plan Review 16-04, 1851 Mercantile Lane (APN:083-280-11ST)

Mr. Field:

The City of Coalinga Planning Commission conducted a noticed and scheduled public hearing to consider your Site Plan Review Application (SPR 16-04) for the construction of a new commercial cannabis facility at their February 28, 2017 regularly scheduled meeting.

Following discussion, the Planning Commission voted to adopt Resolution No. 017P-008 approving the application with conditions.

Prior to obtaining a building permit, please sign and date the applicant acknowledgement located on the last page of the attached resolution and return within (30) of the approval date. Once the applicant acknowledgement has been received and you have satisfied all conditions set forth in this use permit you may proceed with obtaining a building permit.

On behalf of the City, please accept our best wishes.

If you should have any questions, comments and/or concerns, please do not hesitate to contact me at (559) 935-1533 extension 143.

Sincerely,

Sean Brewer, Director
Community Development Department

Cc: File

Mayor and City Council
Building Official
City Manager
Fire Department
Police Department

RESOLUTION 017P-008

A RESOLUTION OF THE CITY OF COALINGA PLANNING COMMISSION APPROVING SITE PLAN REVIEW APPLICATION NO. 16-04 FOR THE DEVELOPMENT OF A NEW INDUSTRIAL COMMERCIAL CANNABIS FACILITY TO BE LOCATED ON 2.33 ACRES AT 1851 MERCANTILE LANE

WHEREAS, the City of Coalinga Community Development Department received an application for a Site Plan Review for the construction of a commercial cannabis facility on 2.33 acres at the 1851 Mercantile Lane (APN: 083-280-11ST); and,

WHEREAS, the subject project requires approval of a site plan review, in accordance with Title 9, Chapter 2 of the Coalinga Municipal Code; and

WHEREAS, appropriate applications were filed and deemed complete by the Coalinga Community Development Department on January 26, 2017; and

WHEREAS, the project has been determined to be exempt from CEQA processing under the provisions of Government Code Section 15332 (Infill Development), and;

WHEREAS, the subject application was reviewed for compliance with all applicable sections of the Coalinga Municipal Code; and

WHEREAS, the Planning Commission completed its review of the proposed development and information contained in the staff report at its meeting on February 28, 2017; and

WHEREAS, the Planning Commission has made the following findings based on the development proposal:

- All provisions of the Planning and Zoning Code are complied with;
- The following project is so arranged that traffic congestion is avoided and pedestrian and vehicular safety and welfare are protected, and there will be no adverse effect on surrounding property including but not limited to:
 - Facilities and improvements;
 - Vehicular ingress, egress and internal circulation;
 - Setbacks;
 - Height of buildings;
 - Location of services;
 - Fences and/or walls;
 - Landscaping.
- Proposed lighting is so arranged as to direct the light away from adjoining properties;
- Proposed signs will not by size, location, color or lighting interfere with traffic or limit visibility;
- Proposed development has adequate fire and police protection;
- Proposed development can be adequately served by city sewer and water;
- Drainage from the property can be properly handled;

012

- The proposed development is generally consistent with the Zoning Ordinance, the General Plan, and any other applicable plans.

NOW THEREFORE BE IT RESOLVED, that the Planning Commission does approve the site plan review Application No. 16-04 subject to the conditions attached hereto which are also incorporated by this reference as Exhibit "A".

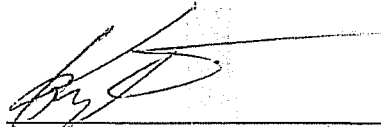
PASSED AND ADOPTED, by the City of Coalinga Planning Commission at their regularly scheduled meeting held on the 28th Day of February 2017.

AYES: Stoppenbrink, Sailer, Gonzales, Jacobs, Helmar

NOES: None

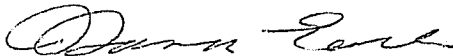
ABSTAIN: None

ABSENT: None



Planning Commission Chairman/Vice Chairman

ATTEST:



City Clerk/Deputy City Clerk

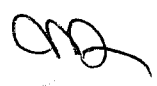


**CONDITIONS OF APPROVAL
SITE PLAN REVIEW, APPLICATION NO. 16-04**

- COA-1. The approved site plan shall become void in the event that less than fifty (50) percent of the site, or an approved phase of development, has not occurred within twelve (12) months after the approval of the site plan.
- COA-2. Approval of the phased site plan may be extended at the discretion of the Planning Commission for an additional period or periods of one (1) year upon a written application to the Commission before the expiration of said phase.
- COA-3. An occupancy permit for the new structure(s) shown on the approved site plan shall not be issued until all proposed buildings, structures and other stated improvements are completed, or the Community Development Director authorizes its issuance upon making a finding that all on-site and off-site conditions relating to the building, structure or use have been or will be met.
- COA-4. Buildings shall provide adequate architectural articulation and detail to avoid a bulky and "box-like" appearance. The building façade at ground floor street frontage level shall be articulated with measures such as, indentation in plane, change of materials in a complimentary manner, sensitive composition and juxtaposition of openings and solid wall and/or building frame, and projecting elements, such as awnings or marquees, to provide shade and shelter.
- COA-5. All improvements shall conform to City Standards and Specifications and be approved by the City Engineer. The applicant shall furnish and install off-site Sidewalk, Driveway Approach and Street Lighting on Mercantile Lane and Enterprise frontage and curb, gutter and street lighting every 150 feet on Jayne Ave/SR33 along frontage as approved by the City Engineer and constructed to Caltrans standards.
- COA-6. The applicant shall furnish and install new water service, irrigation controller and backflow prevention device for all irrigated landscape areas of the project frontage. The applicant shall furnish a separate domestic water meter and a separate landscape meter.
- COA-7. The design of the building will be of solid wall construction with a translucent roof structure to ensure that there is no issue with sight and smell from the facility. In accordance with CMC Section 9-5.128(d)(17) of the Commercial Marijuana Ordinance. Compliance with CMC Section 9-5.128(d)(17) will be verified at the time building plans are submitted and will be reviewed and approved by the Building Department and Police Chief for License conformity and security compliance. The Police Chief shall have full authority to ensure compliance with the intent of security measures and building measures for greenhouse construction.
- COA-8. The applicant shall comply with all 2016 California Building Code (CBC) Chapter 11B ADA accessibility guidelines.
- COA-9. The final site plan shall identify all easements effecting the parcel.
- COA-10. No storm water runoff from the proposed project shall flow into the State right-of-way (SR 33) without approval from the District Hydraulic Engineer.



- COA-11. The applicant shall provide smooth AC pavement transitions from new concrete driveway to existing Mercantile Lane asphalt pavement.
- COA-12. The trash enclosure shall be designed and installed in conformance with City of Coalinga Standards A-4 and approved by the City Engineer.
- COA-13. Public Sewer Facilities exist in Mercantile Lane and are available to serve this development. The applicant shall extend a sewer lateral to the project site. The sewer clean out shall be placed at the property line.
- COA-14. Public Water Facilities exist in Mercantile Lane and are available to serve this development. The applicant shall extend a water service to the project site. Water meters shall be located on or near the property line outside the secured area for ease of meter reading.
- COA-15. Public Natural Gas Facilities exist in Mercantile Lane and are available to serve this development. Gas meters that are to be located on-site within the secured area shall be reviewed and approved by public works where best practice for reading meters will be established.
- COA-16. Mailboxes shall be located outside of secured areas for access by postal workers. Obtain final approval by Postmaster prior to installation.
- COA-17. The applicant shall direct all on-site storm water drainage runoff to the existing storm drain facilities at Enterprise Parkway and Mercantile Lane. It is the responsibility of the applicant to confirm sufficient capacity exists in the storm water basin serving this site. Any work needed to the storm water basin serving this development is the responsibility of the applicant. Direct drainage of storm water runoff over public sidewalks not permitted. Storm water runoff shall be directed under sidewalks per City Standard A-14 or A-15.
- COA-18. On-site lighting shall be provided so that the parking areas are illuminated at a level of 1.5 foot candles. A photometric plan (not a full study) shall be provided to ensure that 1.5 FC has been met. All of the regulations in section 9-4.206 of the Coalinga Planning and Zoning Code shall be met as it relates to lighting and illumination.
- COA-19. All equipment located on roofs and on-site shall be screened from view as approved by the Community Development Director.
- COA-20. Construction hours shall be limited to normal working hours. All construction equipment shall be properly maintained and muffled to avoid nuisances to the surrounding or neighboring property owners.
- i. Weekdays from 7:00 a.m. to 6:00 p.m.;
 - ii. Saturday from 8:00 a.m. to 5:00 p.m.;
 - iii. Sunday and Holidays – no construction allowed unless authorization is granted by the City Manager.

- COA-21. *Setback and screening from highways.* Any site in a Manufacturing/Business district that is fully or partially located within 200 feet of a state highway shall provide a landscaped area at least fifteen (15) feet deep between the highway right-of-way and any building or parking area for the length of the site frontage facing toward the highway. At least two (2) fifteen (15) gallon trees shall be provided for every twenty-five (25) feet of site frontage toward the highway.
- COA-22. An existing 30-foot Public Utility and Landscape Easement runs along the Polk Avenue frontage. The applicant shall relocate all proposed on-site improvements outside of the existing easements alignment.
- COA-23. The parking facing the highway must be screened by a wall or berm at least two and one-half (2.5) feet high. The screening wall shall be composed of brick, stone, stucco, or other quality durable material approved by the Community Development Director, and shall include a decorative cap or top finish as well as edge detail at wall ends. Plain concrete blocks are not allowed as a screening wall material unless capped and finished with stucco or other material approved by the Community Development Director. This regulation shall apply to all block wall construction.
- COA-24. *Landscaped setback of parking from on-site buildings.* In the MBL districts, parking spaces must be set back at least ten (10) feet from any building wall, and the area between parking and building must be landscaped. Two (2) feet of the landscaped setback shall be low growing plants to allow for vehicle overhang. Up to five (5) feet of this required landscape area may be occupied by a paved pedestrian walkway.
- COA-25. *Water efficient landscaping.* A landscaping plan shall be submitted to the Community Development Department for review and approval. The model Water Efficient Landscaping Ordinance, as published by the California Department of Water Resources, pursuant to California Water Conservation in Landscaping Act (Government Code § 65591, et seq.), was adopted in full, by reference, and effective in the City of Coalinga commencing on January 1, 2010. A copy of the Water Efficient Landscaping Ordinance is retained on file in the Office of the City Manager, the Community Development Department, and the Office of the Coalinga City Clerk at all times. Landscaping plans must be consistent with the adopted Water Efficient Landscaping Ordinance.
- COA-26. *Shade trees.* A minimum of one shade tree for every ten (10) parking spaces shall be provided, which shall achieve fifty (50) percent canopy coverage of paved area at maturity. The shade trees shall be located so as to provide visual relief to long rows of parked vehicles, and to provide shade to pedestrian connections. Canopy-type trees should be used to provide a relatively consistent tree cover that will shade vehicles and pavement. Shade trees shall also be provided at appropriate intervals between perimeter parking spaces. The shade tree species shall be selected from a master tree list maintained by the City.
- COA-27. The 3-foot pedestrian gate shall be electronically accessed with the appropriate security access protocols. At the Mercantile Lane driveway entrance, the applicant shall provide a Public Pedestrian Sidewalk Easement for that portion of proposed public sidewalk encroaching into the property. This shall not be accessible by the general public.
- COA-28. Disposal of hazardous materials as part of construction and operations shall be in compliance with applicable Federal and State regulations.
- 

- COA-29. The Mercantile Lane driveway shall be moved to provide a 3-foot minimum clearance from property line.
- COA-30. The applicant shall provide wheel stops at all parking stalls that do not provide for 2-foot vehicle overhang.
- COA-31. The proposed fence on Mercantile and Enterprise Parkway shall be placed along the 6-foot Public Utility Easement line.
- COA-32. The applicant shall relocate the Electric Gate at the Mercantile Lane entrance to provide a minimum of 1 vehicle stacking without blocking the pedestrian sidewalk crossing the driveway.
- COA-33. All other required local (Police, Fire, Finance), County, State, or Federal permits shall be obtained prior to the start of operations.
- COA-34. All fire hydrant locations shall be reviewed and approved by the Fire Chief.
- i. Provide one fire hydrant inside the main gate at Mercantile.
 - ii. All drives not to be less than 24 feet wide.
 - iii. All electric gates must be tied to the fire alarm system, and automatically open upon activation.
 - iv. All electric gates serving a building with a NFPA 72 Fire Alarm system, shall be wired so gates automatically open when the fire alarm activates.
For all electric gates, provide lock box for fire department access. Approved model is Doorking Model 1400-080. You can find dealers on their website <http://doorking.com/accessories/lock-boxes>
- COA-35. All Community Development Department and Engineering fees shall be paid in full prior to the issuance of a building permit.
- COA-36. The Developer is responsible for paying all applicable development impact fees as well as all regional fees related to the project.
- COA-37. In the event that archaeological remains are encountered during grading, work shall be halted temporarily and a qualified archaeologist shall be consulted for evaluation of the artifacts and to recommend future action. The local Native American community shall also be notified and consulted in the event any archaeological remains are uncovered.
- COA-38. A final site plan shall be submitted to the Community Development Department to ensure that all conditions of approval have been incorporated.
- COA-39. *Actions voiding approval.* If the construction of a building or structure, or the use established in the building or structure is contrary to the project approval, therefore violating any provision of the Zoning Ordinance, or would require additional permits, then the original approval shall be deemed null and void.

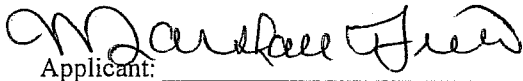


- COA-40. *Periodic review or monitoring of conditions.* All approvals may be subject to periodic review to determine compliance with the permit and its conditions of approval. If a condition of approval specifies that activities or uses allowed under the permit are subject to periodic reporting, monitoring or assessments, it shall be the responsibility of the permit holder, property owner, or successor property owners to comply with such conditions.
- COA-41. *Indemnification.* The applicants/developers shall defend, indemnify, and hold harmless the City or any of its boards, commissions, agents, officers, and employees from any claim, action, or proceeding against the City, its boards, commissions, agents, officers, or employees to attack, set aside, void, or annul the approval of the project when such claim or action is brought within the time period provided for in applicable State and/or local statutes. The City shall promptly notify the applicants/developers of any such claim, action, or proceeding. The City shall coordinate in the defense. Nothing contained in this condition shall prohibit the City from participating in a defense of any claim, action, or proceeding if the City bears its own attorney's fees and costs, and the City defends the action in good faith.
- COA-42. The applicant, within 30 days of the approved site plan, shall provide in writing a letter agreeing to comply with all of the conditions of approval stated in the project resolution.

Applicant Acknowledgement

MARSHALL FIELD

I _____, (Applicant) have read and will fully comply with all of the conditions stated above, and understand if they are not followed, my permit may be revoked in accordance with Section 13 of the above conditions.



Applicant: _____

Signature

Date: _____

3-3-17



RECORDING REQUESTED BY:
Orange Coast Title Company of Northern California

WHEN RECORDED MAIL DOCUMENT AND TAX
STATEMENT TO:

California Green Tree Development LLC
Marshall Field 4370 Park Monte Nord
Calabasas, CA 91302

APN: 083-280-11
TITLE ORDER NO.: 1843018
ESCROW NO.: 1843018-BB

FRESNO County Recorder
Paul Dictos, C.P.A.
DOC-
2017-0053324-00
Acct 8064-ORANGE COAST TITLE COMPANY
Monday, MAY 01, 2017 09:24:43
Ttl Pd \$567.00 Rcpt # 0004758629
ARG/R3/1-3

THIS SPACE FOR RECORDER'S USE ONLY

GRANT DEED

The undersigned Grantor(s) declare(s) that the **DOCUMENTARY TRANSFER TAX IS: \$ 550.00 County**
XX computed on the full value of the interest of property conveyed, or
___ computed on the full value less the value of liens or encumbrances remaining thereon at the time of sale.
___ OR transfer is EXEMPT from tax for the following reason:

Signature of declarant or agent determining tax

Firm Name

Orange Coast Title

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, The City of Coalinga, acting as
Successor Agency to the former Redevelopment Agency of the City of Coalinga

HEREBY GRANT(S) to California Green Tree Development LLC, a California Limited Liability Company

All that real property situated in the City of Coalinga, County of Fresno, State of California, described as:
See attached exhibit A

Commonly Known As: Vacant Land Mercantile Lane, Coalinga, CA 93210

MAIL TAX STATEMENTS AS DIRECTED ABOVE

February 27, 2017

The City of Coalinga, acting as Successor Agency to the
former Redevelopment Agency of the City of Coalinga



Marissa Trejo
Marissa Trejo, City Manager of the City of Coalinga

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy or validity of that document

STATE OF CALIFORNIA
COUNTY OF Fresno

On February 28, 2017, before me, Shannon M. Jensen, a Notary Public
personally appeared Marissa Trejo

who proved to me on the basis of satisfactory evidence to be the person(s) whose name(s) is/are subscribed to the within instrument and acknowledged to me that he/she/they executed the same in his/her/their authorized capacity(ies), and that by his/her/their signature(s) on the instrument the person(s), or the entity upon behalf of which the person(s) acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature

Shannon M. Jensen

(SEAL)



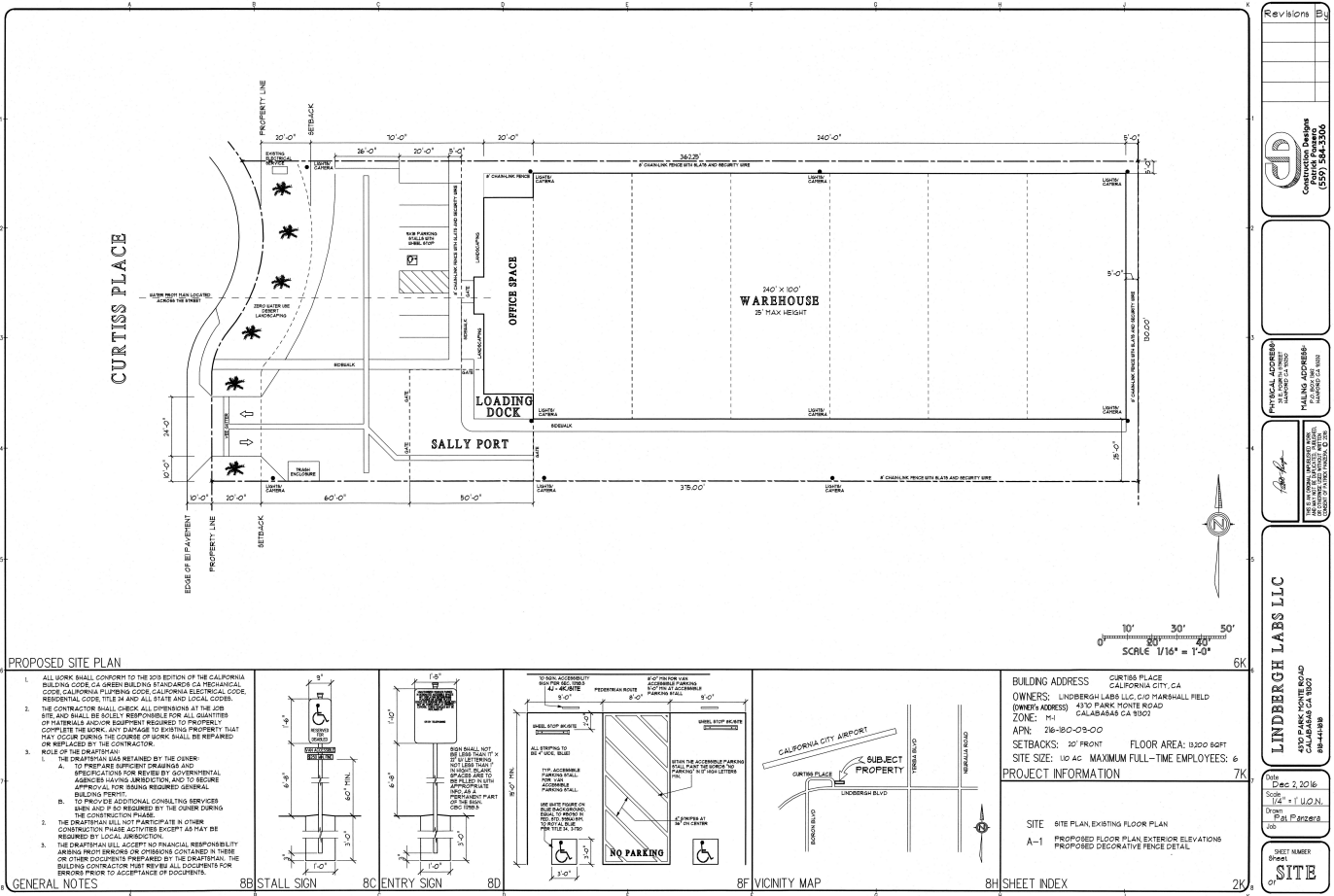
Page 2 of 2 Grant Deed dated February 27, 2017
Vacant Land Mercantile Lane Coalinga, CA 93210/California Green Tree Development LLC/The City of Coalinga, acting as
Successor Agency to the former Redevelopment Agency of the City of Coalinga

Exhibit "A"

Lot 139, of Juniper Ridge No. 1, Tract No. 4310, according to the Map thereof recorded in Volume 53 Pages 43 through 50, inclusive, of Plats, Fresno County Records;

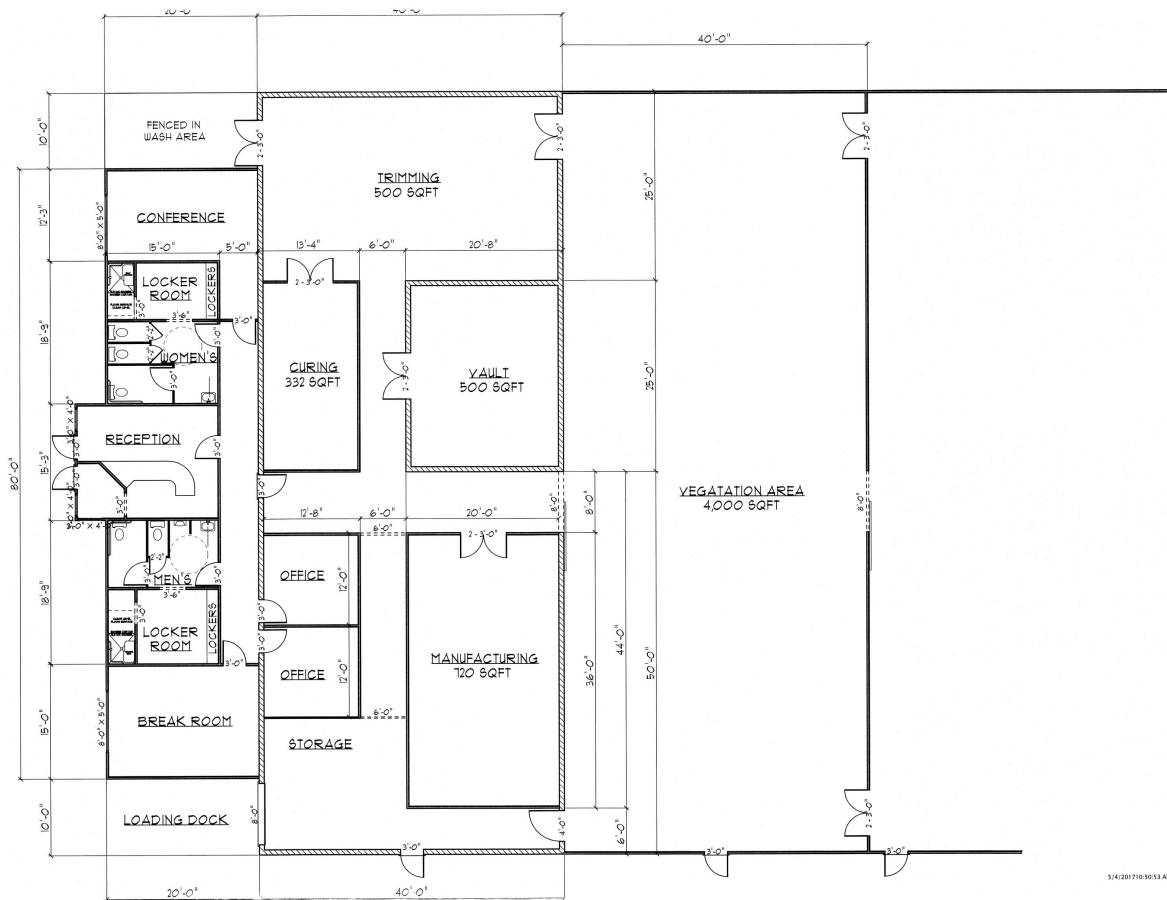
Excepting therefrom all oil, gas and other hydrocarbons; non-hydrocarbon gases or gaseous substances; all other minerals of whatsoever nature, without regard to similarity to the above-mentioned substances; and all substances that may be produced therewith from the property.

Also excepting therefrom all geothermal resources, embracing, indigenous steam, hot water and hot brines; steam and other gases, hot water and hot brines resulting from water, gas or other fluids artificially introduced into subsurface formations; heat or the associated energy found beneath the surface of the earth; and by-products of any of the foregoing such as minerals (exclusive of oil or hydrocarbon gas that can be separately produced) which are found in solution or association with or found in solution or association with or derived from any of the foregoing as reserved in the conveyance from Chevron U.S.A., Inc., a Corporation recorded July 6, 1990, as Document No. 90078694, Official Records.



	A	B	C	D
1	Cost Item Category	Cost Items	Amount	Remark
2				
3				
4	Real Estate	2.3 Acre Lot Purchased	\$ 700,000	
5				
6	Construction	Contractors, planning, engineering	\$ 2,200,000	
7		PG&E Electric, Gas, Water Hookups Underground	\$ 50,000	
8		Greenhouse...Nexus contract	\$ 1,086,000	
9		Construction Total	\$ 3,336,000	
10				
11				
12				
13		Private Electrical Power System	\$ 1,000,000	
14	Equipments	LED--- 1,016 Units approx. \$550 Each 550 Watts	\$ 558,800	
15		Odor control System, UV Ultra Violet Ozone 8 Units UVONAIR CD -1200 X 20 Units \$271 per unit 18-to 48" Inch collection HVAC upper wall fans, pull out air flow inside vent exhaust fans	\$ 6,000	
16		HVAC Systems, Surma Commercial Chillers, Heat Pumps, Nutrient cooling Systems,	\$ 50,000	
17		Security Systems Cameras, Surveillance compliance, CCTV Dynamics, I-502 systems Gate and Visual, 32 Camera's, intercom, WIFI system, monitors,	\$ 40,000	
18		Power Systems Back up electrical	\$ 45,000	Generator 120/208V 3 Phase NG (Natural Gas 45KW Generac/Zoro/Stand by Generator
19		Water Purity systems, PH, Reverse Osmoses	\$ 19,000	Hyper Logic Purification systems Reverse Osmosis, PH quality water,
20		Dryers, and Curing equipment...HVAC	\$ 20,000	
21		MJ Freeway, Seed to Sale Tracking Software	\$ 45,950	
22		3 Computer systems, 6 monitors, 2 printers, Office equipment	\$ 10,000	
23		Internet system	\$ 25,000	
24		Secure Delivery Vehicle	\$ 20,000	
25		Volt Door & Room and Safes	\$ 30,000	
26		Pallet Racks Veg and Clones	\$ 12,000	
27		Benches, Tables, lab	\$ 10,000	
28		4 desks, 4 office chairs, 4 metal file cabinets	\$ 5,000	
29		4 Storage containers, buy, Working Area Container	\$ 20,000	
30		Trailer Office, construction, Security	\$ 20,000	
31		4 door Truck, pick-up supplies, and Trailer hauler	\$ 10,000	
32		Trimmers electric Twister 2 Units	\$ 15,000	
33		Fluorescents and LED's VEG and Cloning	\$ 25,000	
34		..De-humidifier, 4 units 480 V 31 AMPs \$11,000 each (15 Amps each).	\$ 50,000	
35		Kitchen Equipment,(used) Stove, Top Vented, 4 Sinks, refrigerator (used) Oven, 4 Commercial dish washers, Washer and dryer(new) Micro Wave, cabinets, garbage disposal, Hot water Tank instant, (new) Vents outside	\$ 25,000	
36		Protection of Building Posts, or Palm Trees	\$ 10,000	
37		Fans V-Flow 24 Units \$635 @	\$ 15,240	
38		Water Tanks	\$ 40,000	
39		Green Light system,(electrical night lights)	\$ 6,000	
40		Equipment Total	\$ 2,132,990	
41				
42				
43				
44				
45	Operational Costs	Coalinga City Fees yearly	\$ 455,462	Application fee, Annual Revenue raising fee, \$25.00 per first 3,000 sf \$75,000 Base, plus \$10.00 sf balance \$90,000 (12,000 sf Grow) plus type 3A/3B \$53,561 plus, type 12, \$3,901.
46		Operational Expenses & Working Capital	\$ 800,000	
47		Growers Supplies	\$ 400,000	
48		Legal Services	\$ 50,000	
49		Insurance Building, liability	\$ 5,000	

	A	B	C	D
50		Auto Coverage Insurance \$1,000,000 Policy City of Coalinga requirements	\$ 3,500	
51		Testing, inspections	\$ 8,000	
52		Lease housing Unit off site for 2 years	\$ 40,000	
53				
54		Operational Costs Total	\$ 1,761,962	
55				
56				
57		Coalinga Budget Total	\$ 7,930,952	
58				
59		California City Extras		
60				
61		CO-2 Generator Johnson 8 Units 1,000 Each	\$ 8,000	
62		Lab Equipment C	\$ 100,000	
63			\$ 108,000	
64				
65		Grand Total for California City	\$ 8,038,952	



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	A	B	C	D	E
1	CALIFORNIA GREEN TREE DEVELOPMENT OPEATING INCOME & EXPENSES (PROJECTED)				
2					
3	Category	Expense Items	Amount	Category Amount	Remarks
4	Banking	Bank Charges	\$ 1,200	\$ 1,200	
5	Equipment	Equipment Leases	\$ 120,000		
6	Equipment	Vehicle Expenses	\$ 50,000		2 Delivery Trucks, Forklifts, Corporate
7	Equipment	Telephone and Mobile Devices	\$ 15,000	\$ 185,000	
8	Insurance	Insurance	\$ 30,000	\$ 30,000	All coverage
9	Labor	Employee Training	\$ 10,000		
10	Labor	Wages and Labor	\$ 1,200,000		10 employees
11	Labor	Executive Compensation	\$ 480,000		
12	Labor	Onsite Housing	\$ 40,000		
13	Labor	Security Guard Services	\$ 200,000		
14	Labor	Outside Consultants	\$ 420,000	\$ 2,350,000	
15	Maintenance	Repairs and Maintenance	\$ 120,000		
16	Maintenance	Building and Facility Maintenance	\$ 240,000	\$ 360,000	
17	Marketing	Advertising	\$ 50,000		
18	Marketing	Sales and Marketing Services	\$ 250,000	\$ 300,000	
19	Misc	Operating Cash Reserves	\$ 1,500,000	\$ 1,500,000	
20	Operation	Laboratory Testing Services	\$ 60,000		
21	Operation	Packaging	\$ 300,000	\$ 360,000	
22	Professional	Accounting	\$ 36,000		
23	Professional	Legal Services	\$ 100,000	\$ 136,000	
24	Supplies	Office Supplies	\$ 12,000		
25	Supplies	Postage and Printing	\$ 10,000		
26	Supplies	Subscriptions and Continuing Education	\$ 60,000		
27	Supplies	Cultivation Supplies	\$ 800,000	\$ 882,000	
28	Tax	Sates Sales Taxes	\$ 138,750		\$9.25 per dry weight of flower pound
29	Tax	Coalinga City Fees	\$ 400,000		
30	Tax	Property Tax for Real Estate	\$ 6,000		
31	Tax	State Income Tax	\$ 2,000,000	\$ 2,544,750	Federal Income Tax payable by individual LLC members through K-9
32	Utility	Electricity	\$ 250,000		
33	Utility	City Water Services	\$ 120,000		
34	Utility	Natural Gas Utility	\$ 60,000	\$ 430,000	
35			\$ 9,078,950	\$ 9,078,950	
36					
37		Projected Revenue	\$ 26,250,000		
38					
39		Expenses % of Revenue	35%		
40					
41		Unforeseen Contingency Expenses	\$ 2,625,000		10% of Gross Revenue
42					
43		Total Expenses	\$ 11,703,950		
44		Total Expenses % of Revenue	44.59%		
45		Project Net Income	\$ 14,546,050		
46					
47		18% Equity Disbursement to \$8 MM Investors	\$ 2,618,289		
48					
49		5 Year Payout to Investors	\$ 13,091,445		5 Year Period commences after CGTD becomes fully opeational
50		Exit Value (Projected Proceeds of Sale of Business/Land/Equipment)	\$ 96,973,667		15% CAP Rate Valuation Assumed with \$14,546,050 NET OPERATING INCOME
51		18% Investor Payout from the sale of business and property	\$ 17,455,260		
52					
53		Total Investor Payout (Projected) in 5 Years	\$ 30,546,705		
54		Net Return after repayment of original investment of \$8 MM.	\$ 22,546,705		
55					
56		Rate of Return on Investment (PROJECTED)	281.83%		

PARTIAL EXEMPTION CERTIFICATE QUALIFIED SALES AND PURCHASES OF FARM EQUIPMENT AND MACHINERY**Regulation 1533.1¹**

NOTE: This is an exemption only from the state general fund portion of the sales and use tax rate. You are not relieved from your obligations for the local and district taxes on this transaction. This partial exemption also does not apply to any tax levied pursuant to [Sections 6051.2](#) and [6201.2](#) of the Revenue and Taxation Code, or pursuant to Section 35 of article XIII of the California Constitution. This partial exemption also applies to lease payments made on or after September 1, 2001, for tangible personal property even if the lease agreement was entered into prior to September 1, 2001.

SELLER'S/LESSOR'S NAME

SELLER'S/LESSOR'S ADDRESS (*street, city, state, zip code*)

I, as the undersigned purchaser, hereby certify I am engaged in an agricultural business described in Codes 0111 to 0291 of the Standard Industrial Classification (SIC) Manual, or I perform an agricultural service described in Codes 0711 to 0783 of the SIC Manual for such classified persons. The property purchased or leased will be used primarily in producing and harvesting agricultural products in accordance with Revenue & Taxation Code Section [6356.5](#).²

Type of Farm Equipment and Machinery (or parts³ thereof)*

* If you also want this certificate to be used as a blanket certificate for future purchases, describe generally the type of property you will be purchasing and ask your vendor to keep this certificate on file. If this is a specific partial exemption certificate, provide the purchase order or sales invoice number and a precise description of the property being purchased.

I understand that if such property is not used in the manner qualifying for the partial exemption, or if I am not a qualified person, as applicable, that I am required by the sales and use tax law to report and pay the state tax measured by the sales price/rentals payable of the property to/by me. I also understand that this partial exemption certificate is in effect as of the date shown below and will remain in effect until revoked in writing.

California Green Tree Development, LLCPURCHASER'S NAME OR COMPANY NAME (*if applicable*)

X

DATE

SIGNATURE (*signature of the purchaser, purchaser's employee, or authorized representative of the purchaser*)PERMIT NUMBER (*if applicable*)⁴

TITLE

TELEPHONE NUMBER
()ADDRESS (*street, city, state, zip code*)

¹ The Sales and Use Tax Department is making this sample form available for industry's use. However, please note that the Board of Equalization (BOE) is prescribing the form of the certificate as part of the Regulation 1533.1, which is pending adoption by the BOE and approval by the Office of Administrative Law. Until the regulation is adopted and approved, the form is subject to change.

² Vehicles that qualify as farm equipment and machinery, as defined in Regulation 1533.1(b)(1)(B), must be used exclusively in producing and harvesting agricultural products. A vehicle whose existing design is primarily for the transportation of persons or property on a highway, such as a pickup truck or trailer, does NOT qualify for the partial exemption, unless such vehicle is otherwise specified as an implement of husbandry in some provision of the Vehicle Code, as provided in Regulation 1533.1(b)(1)(B).

³ If you are purchasing oil, grease, or lubricating or other qualifying fluids, indicate what percentage will be used in farm equipment and machinery performing qualified producing and harvesting activities. Please note: supply items not used in producing or harvesting agricultural products, such as shop towels, cleaning agents, hand cleansers, and chemicals, do NOT qualify for the partial exemption as provided in Regulation 1533.1(b)(1)(A).

⁴ If you are not required to hold a seller's permit, please enter "Not Applicable."