

# LA CANNABIS REAL ESTATE INVESTMENT

## EQUITY PARTICIPATION IN ACQUIRED PROPERTY



## SUPERB LOCATION AT DISCOUNTED BASIS

### 3 STATE CANNABIS LICENSES SECURED (MANUFACTURING, DISTRIBUTION, CULTIVATION)

5-Year Returns: 30.4% IRR | 2.75x Equity Multiple

#### OVERVIEW

959 DTLA LLC (the “Sponsor”) is pleased to present 959 East 31<sup>st</sup> Street (the “Property” or the “Project”), a 11,200-sf warehouse recently acquired by the Sponsor at a discounted price with 3-state cannabis licenses secured for the site.

The Sponsor is seeking equity investors to join the project capital stack. Investors are expected to earn a 30% return and 2.75x on their invested capital.

#### PROPERTY SNAPSHOT

Address	959 East 31 St
Location	Los Angeles, CA 90011
Submarket	Historic South Central
Parcel ID	5114022011
Docking Bays	1
Property SF	11,200
Year Built	1922
Zoning	M2
Stories	1 (15 feet)

## THE OPPORTUNITY

The Sponsor acquired the Property in November 2019 and expects a 6- to 9-month construction timeline to create a turn-key facility for member-operators after renovating and equipping the property with \$1.87 million in upgrades.

Investor Equity Contribution	\$ 1,582,154
Investor Profit	\$ 2,763,433
Investor IRR	30.41%
Investor Equity Multiple	2.75x

Once complete, the Property will be NNN leased to BaseCanna Operating Company at a starting monthly base rent of \$3.75 per SF. The distribution and cultivation licenses are expected to be operational within 6 months and manufacturing operational within 9 months.

The Sponsor plans to refinance within 36 months, returning the principal equity and additional profits to Investors. The property is expected to sell at an 8.0% exit cap rate as a cannabis-licensed, stabilized real estate investment supported by a healthy mix of businesses and product lines.

## INVESTMENT HIGHLIGHTS



#### Discounted Non-Cannabis Acquisition Basis for Prime Facility – \$183 psf

- Already Improved Site with Ideal Operational Layout
- Significant downside protection with resale potential as licensed facility



#### 3 State Licenses Secured in Starved Legal Market

- Severe license scarcity in Los Angeles, with no plans for added licenses



#### 100% Pre-Leased

- Triple-net (NNN) to BaseCanna, with well funded operations



#### Excellent CA Location with Prime LA Accessibility

- 1-Hour drive to 18 million residents
- 200 Thousand workers and 250 million visitors annually in Los Angeles
- 8-minute drive to Staples Center and LA Live



#### Innovative and Value-Add Business Model with Mitigated Risks

- Pro-cannabis city, business and consumer friendly market
- Stringent Membership Due Diligence Requirements

# OFFERING TURN-KEY CANNABIS SPACES



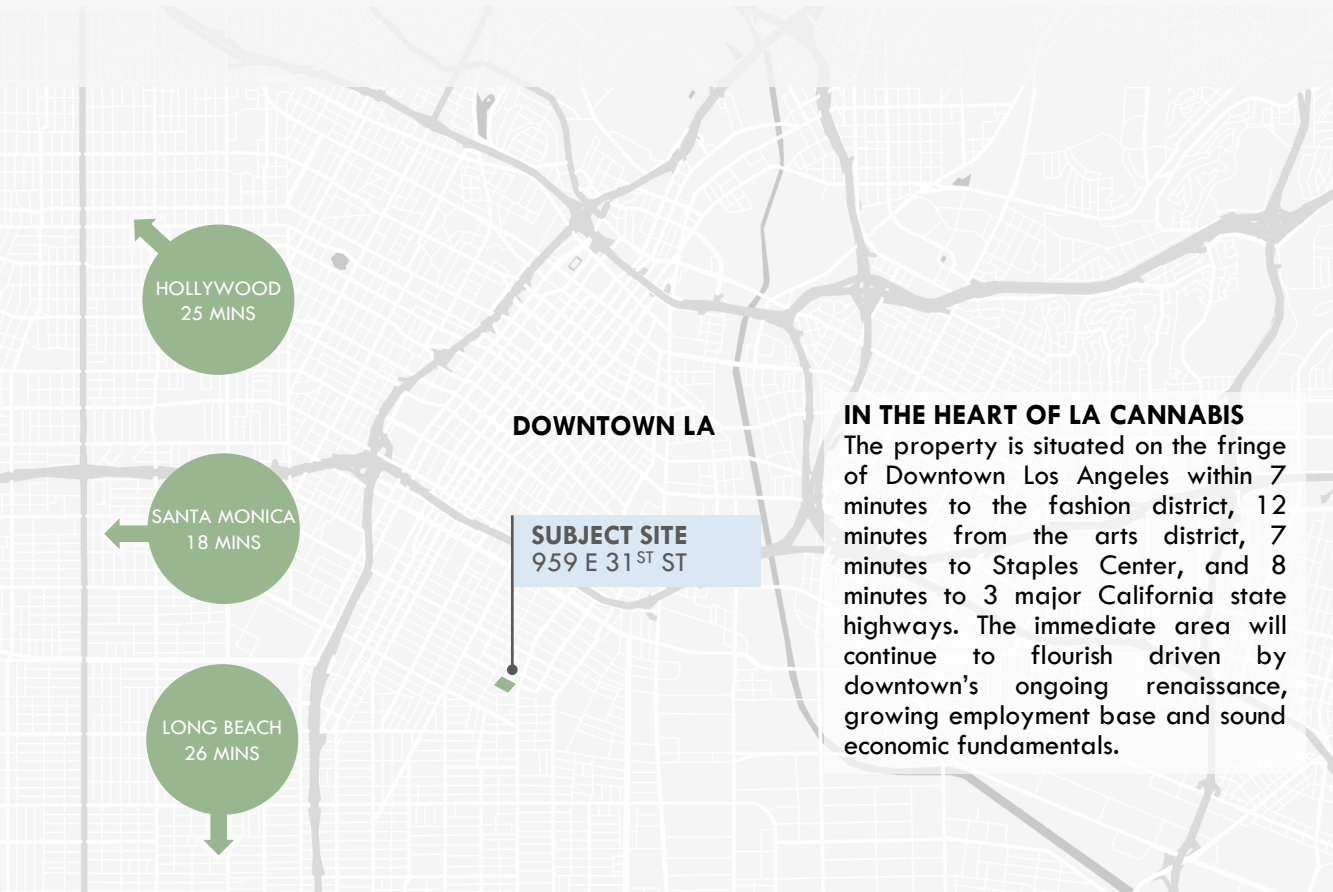
## PREBUILT FOR CANNABIS BUSINESSES

BaseCanna is building a platform of properties and resources to support cannabis businesses in select US markets. With reverence for the healing properties of cannabis, the partners envision a network of spaces built for innovators and creators to collaborate to reach the next frontier.



### BASECANNA DOWNTOWN LA | 3 STATE LICENSES

- **Manufacturing / 5,000 SF** Strategically marketed products in the concentrate (vape, shatter, live resin, etc.), edible (candy, beverages, tinctures, etc.) and topical categories
- **Distribution / 1,200 SF** Immediate access to all LA highways and 300+ dispensaries\*
- **Seed & Tissue Lab / 5,000 SF** Production of strains with clean lineage under a cultivation license



**IN THE HEART OF LA CANNABIS**  
 The property is situated on the fringe of Downtown Los Angeles within 7 minutes to the fashion district, 12 minutes from the arts district, 7 minutes to Staples Center, and 8 minutes to 3 major California state highways. The immediate area will continue to flourish driven by downtown's ongoing renaissance, growing employment base and sound economic fundamentals.

## OPERATING HIGHLIGHTS

### MANUFACTURING

**5,000 SQUARE FEET** to manufacture, process and package products



- High-margin consumer goods
- Market proximity allows cost effective production & distribution
- Flexible & efficient utilization of space to meet market demands

**Bottling Facility**  
 (Soft Drinks & Non-Alcoholic Beer)

**Oils & Distillates**  
 (THC, CBD and hemp products)

**Commercial Kitchen**  
 (Edibles, Topicals & Tinctures)

### DISTRIBUTION

**1,200 SQUARE FEET** serving the Southern California market



- Efficient loading docks with wide doors
- Highly accessible location
- Direct on-site sales flow

**Over 40 Percent**  
 Metro-LA Market Share of CA Sales

**Restricted Licensing**  
 # of Licenses Already Near Limit

**300+ Legal Dispensaries**  
 (Expected by 2021)

### SEEDS & TISSUE LAB

**5,000 SQUARE FEET** to develop various lines of cannabis & help seeds



- Basis for mass production and auto-flowering
- Provides stability and improved plant genetics
- High production capacity in small cultivation space

**High Margin**  
 Up to 80%

**Ability to Double Capacity**  
 In a Matter of Weeks

**Pre-Sold Arrangements**  
 For Indoor/Outdoor Grows

# EQUITY INVESTMENT ECONOMICS



## NNN OPERATING LEASE TERMS

- **Term & Free Rent:** 20-year NNN lease; 6 months free rent
- **Rent & Escalations:** Starting monthly base rent of \$3.75 PSF; 5% annual escalations
- **NNN Lease:** Taxes, insurance and CAM charges will be paid by tenant

## DEAL SOURCES & USES

USES	AMOUNT	\$ / SF	SOURCES	AMOUNT	\$ / SF
Purchase Price	\$2,050,000	\$183	Total Equity	\$1,665,425	\$149
Closing Costs & Fees	\$211,000	\$19	Equipment Financing	\$1,420,000	\$127
Financing Costs	\$131,500	\$12	Acquisition Loan	\$1,300,000	\$116
Construction Costs	\$1,870,000	\$167			
Reserves & Contingency	\$122,925	\$11			
<b>TOTAL USES</b>	<b>\$4,385,425</b>	<b>\$392</b>	<b>TOTAL SOURCES</b>	<b>\$4,385,425</b>	<b>\$392</b>

## ASSUMPTIONS

### PURCHASE LOAN

- After total funding, the original loan will represent 29% of the project cost (LTC)

Purchase Loan Amount	\$ 1.3M (\$116 psf)
Purchase LTC (Total Costs)	29.5%
Purchase Loan Interest Rate	10.50% (I/O)
Purchase Loan Ann Payments	\$ 136,500

### CONSTRUCTION BUDGET

M.E.P.	\$ 100,000
Sprinklers	\$ 55,000
HVAC	\$ 75,000
Walls & Flooring	\$ 70,000
FF&E: Seeds/Cultivation	\$ 200,000
FF&E: Manufacturing	\$1,120,000
FF&E: Distribution	\$ 200,000
<b>TOTAL:</b>	<b>\$1,870,000</b>

### REFI LOAN

- Sponsor expects to refinance in year 3 at 65% LTV at 6% interest rate, representing a conservative 2.1x DSCR and 12.4% debt yield

Stabilized Valuation (EOY3)	\$ 6.87M
Refi Loan Amount	\$4.47M (\$399 psf)
Refi Loan Interest Rate	6.00% (I/O)
Refi Loan Ann Payments	\$268,103
<b>Investor Proceeds from Refi</b>	<b>\$1.84M</b>

### SALE ASSUMPTIONS

Exit Year	EOY 5
Exit Cap Rate	8.00%
<b>Gross Sale Proceeds</b>	<b>\$ 7.58M</b>
Sale Price PSF	\$677
Cost of Sale	3.50%
<b>Investor Proceeds from Sale</b>	<b>\$1.82M</b>

## EQUITY FINANCING TERMS

- Waterfall Terms: 12% preferred IRR (pari passu), 70/30 split (LP/GP) thereafter
- GP Contribution: 5% of equity requirements
- LP Equity Required: \$1,582,000
- LP Equity Invested: ~\$1,020,000

## INVESTOR CASH FLOW – SAMPLE INVESTOR (\$500,000)

Investor Total Returns for \$500,000	Years 1-5	Inv. Return (Years 1-5)	Avg. Annual Return
Investment Amount	\$ (500,000)		
Total Operating Cash Flow to Investor	\$ 217,715	43.5%	8.7%
Yr 3 Investor Distribution at Refinance	\$ 579,908	116.0%	23.2%
Yr 5 Investor Distribution at Resale	\$ 575,691	115.1%	23.0%
<b>Net Profit</b>	<b>\$ 873,314</b>	<b>174.7%</b>	<b>34.9%</b>

## 5-YEAR INVESTOR RETURNS SUMMARY

**\$1,582,000**

Equity Investment

**30.41%**

IRR

**\$2,763,000**

Net Cash Flow (Profit)

**2.75x**

Equity Multiple

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