



"I love Good Tree Capital. They explained everything to me straight, and those are the types of people I like to work with." When asked about his choice to take out a loan instead of alternative funding or investments, Alex says "because I didn't want to give away a piece of my company. I was offered hundreds of thousands and didn't want to give up any ownership and control over what I built."

Alex Accardi, Owner of California Valley Farmers  
Cultivator in Yolo County, California



How do you solve a billion-dollar debt shortage problem?





# Good Tree Capital

## EQUITY CAPITALIZATION

80% Non-Voting Equity Stake

Number of Non-Voting Units	Price per Unit	Net Proceeds to Issuer
100,000	\$100.00	\$10,000,000.00

Good Tree Capital is an online investing and lending platform dedicated exclusively to providing small business loans to state-licensed cannabis companies. Nationally the cannabis industry is experiencing a \$1.1 billion debt supply shortage and we intend to be a leader in capturing this unmet demand. We are seeking to raise \$10 million under SEC Regulation D - 506(c).

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

*Prospective investors are advised that some of the statements and projections in the materials shown to prospective investors are forward-looking statements within the meaning of federal and state securities laws. Forward-looking statements represent Good Tree Capital's (the "Company's") attempt to predict future events and describe its present intentions based on information currently in its possession. These statements are inherently uncertain, and performance will vary from the expectations of the Company. Some of those deviations may be material and adverse. Further, as the Company develops and begins to operate and additional information comes to light, it may decide (subject to the requirements imposed on the Company) to take actions different from those described in the materials, or to omit to take some of the actions that are currently expected. The risk of this is increased because of the dynamic regulatory environment in which the Company will operate. A discussion of the currently known factors that have a material likelihood of causing these outcomes is set forth in the section entitled "Risk Factors." The information presented in the investment materials is correct as of the date of presentation to prospective investors, and the Company cannot undertake to update such information other than as required by law.*

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Prospective Investors,

81% of cannabis companies that touch the plant (e.g. growers, distributors, retailers) are unbanked, which means they operate primarily on an all cash-basis. The failure to secure banking relationships presents a host of safety, logistical and business challenges, but among the most important is the inability to access debt financing for basic business needs such as working capital, equipment, real-estate purchases or capital improvements. In order to secure financing for day-to-day operations or growth opportunities, cannabis companies are limited to selling ownership stakes to equity investors or self-financing. We believe that cannabis companies' demand for debt financing outstrips supply by roughly \$450 million today and set to grow to \$1.1 billion by 2020. Good Tree Capital is the only company positioned to address this shortfall at scale, nationwide.

Good Tree Capital's mission is to become the nation's largest lender to cannabis companies, and we are making important strides toward that goal. Since launching in April 2017 we've proven the hypothesis that there is significant unmet demand for debt capital among cannabis companies nationwide. We've also proven that we know how to capture that demand and make smart lending decisions: Good Tree Capital's lending platform generates traffic from all 50 states and 9 foreign countries. We've received up to \$10 million in monthly deal flow both online and through partnerships we've developed with some of the industry's major suppliers. To date, our portfolio includes companies in Washington, Oregon, California, Colorado and Massachusetts.

Most important, we continue to validate our proprietary loan decisioning algorithm. The nature of the debt supply financing gap is both nationwide and throughout the cannabis industry's value chain. Given this scope, we built a platform ([www.goodtree.capital](http://www.goodtree.capital)) that allows any cannabis business to complete a 10-minute online application and receive a provisional decision immediately. Our decisioning technology is central to our ability to quickly scale our model, and has yielded a 0% default rate.

Our model is intended to maximize returns for investors while providing cannabis companies with much needed capital to take advantage of the fast growth of the industry. I welcome you to join us in this endeavor.

Seke Ballard

Founder of Good Tree Capital

<https://invest.goodtree.capital>

## Summary of Key Terms

*The following are the key terms of an offering (the "Offering") conducted by the Company and is qualified in its entirety by the Operating Agreement of the Company (the "Operating Agreement"). Capitalized terms not otherwise defined below have the meanings given them in the Operating Agreement.*

<b>The Fund</b>	Good Tree Capital Partners Fund LLC. (the <b>"Fund"</b> ) is a Washington State entity formed to accept investor funds and originate loans to borrowers. Investors in the Fund are referred to as <b>"Investment Members."</b>
<b>Purpose of the Fund</b>	The purpose of the Fund is to take advantage of the cannabis industry's gap in debt supply by providing small business loans to state-licensed cannabis companies. Investment Members invest in the Fund. The Fund is subsequently loaned out to licensed cannabis companies nationwide. Investors' risk is diversified across all borrowers from the fund. We emphasize principal protection by using proprietary decisioning technology to evaluate cannabis companies' creditworthiness and lending only to state-licensed entities (each, a <b>"Portfolio Company"</b> ) that offer tangible, durable assets as security. Our plans to exploit the current market opportunity are projected to deliver strong cash on cash returns (25% - 28.7% ROI) with meaningfully less duration (3 years) than typical private debt funds.
<b>Managers</b>	The Fund is co-managed (collectively <b>"Managers"</b> ) by Seke Ballard, Nikolas Green and George McGill
<b>Target Raise for the Offering</b>	\$10 million in total capital commitments in exchange for 100% of the Units (the "Units"). The Managers may agree, in their discretion to sell up to 500% of the Units at the same valuation.
<b>The Offering</b>	Investor Units at \$100 per unit; there are 100,000 units outstanding.
<b>Minimum Capital Commitment</b>	\$100, waivable by the Managers in their sole discretion.
<b>Commitment Period</b>	All investments are held for 36 months. Investors may receive a full refund of their investment within 30 days of investing. After 30 days has elapsed, funds are committed through the end of the 36-month period.

<b>Estimated Closing Dates</b>	New investments will not be accepted after 12/31/2019. Managers may elect to extend the closing date by up to 12 months.
<b>Managers' Compensation</b>	Managers receive a one-time fee of 2.5% of capital invested. Managers also receive 20% of borrower repayments after Investment Members have recouped their original investment.
<b>Managers' Units</b>	The Managers hold all of the Company's issued and outstanding Manager Units. Manager Units and Investor Units have different voting rights but share the economic rights pro rata as one class.
<b>Distributions</b>	Investors receive 8 quarterly distributions beginning Year 2 of their investment window. Quarterly distributions are a combination of principal and interest payments received from borrowers.
<b>Capital Reinvestment</b>	The Managers may reinvest the principal returned from investments during the life of the Fund.
<b>Deployment Limitations</b>	The proceeds of this Offering will be deployed in the form of loans to multiple Borrowers. No one Borrower will receive a loan in the amount exceeding 50% of the aggregate capital commitments from the Investment Members.

## What's the Problem?

Cannabis companies are primarily all-cash ventures. According to a Marijuana Business Daily survey, 60% of firms operating in the cannabis industry don't have business banking accounts. That number increases to 81% if the company touches the plant and drops to 49% for ancillary firms.<sup>1</sup>

The root cause of this problem is disharmony between federal and state laws governing cannabis. Despite the growing list of states decriminalizing the sale of marijuana, the federal government maintains its classification of marijuana as a Schedule 1 drug, alongside heroin and crack cocaine. Accordingly, federal law aims to thwart criminal money laundering activities by barring financial institutions from maintaining accounts with Schedule 1 drug-related businesses.

The federal government also recognizes the incongruence between federal law and the unmistakable trend toward universal state-by-state decriminalization of the drug. In an effort to provide industry participants with some measure of legal protection, Congress passed the Rohrabacher-Farr Amendment, which is renewed annually and prohibits the Justice Department from using federal funds to interfere with the implementation of state medicinal cannabis laws. In effect, this shields the overwhelming majority of the cannabis industry from federal interference.<sup>2</sup> Regardless, the majority of banks are unwilling to take added risk—perceived and otherwise—of banking the budding industry. Of the nation's 5,764 FDIC-insured banks, fewer than 266 provide services to cannabis companies.<sup>3</sup> Most of those 266 banks are clustered in West Coast states, leaving cannabis companies elsewhere with limited-to-no options.

Without bank accounts cannabis companies cannot secure bank loans, accept debit or credit card payments from customers or electronically remit payment to suppliers or employees. Cannabis companies operate primarily in cash.

## What's the Solution?

Good Tree Capital is not attempting to provide the full slate of banking services to cannabis companies. Instead, we are isolating small business lending as a distinct problem that requires a standalone solution.

Our approach to solving the industry's billion-dollar debt financing supply gap was to build an online platform that enables any applicant—whether she's a cultivator in California, a manufacturer in Nevada or a medicinal retailer in Illinois—to quickly apply for a loan and receive a response immediately. Powering our ability to quickly evaluate applicants' creditworthiness is a proprietary risk assessment algorithm that identifies borrowers with the highest probability of successfully servicing a loan; our automated decisioning is faster, less costly and more accurate than traditional retail banks.<sup>4</sup>

### Deal Evaluation

Our algorithm leverages big data and machine learning to determine the likelihood that an applicant will default on a loan. The algorithm was built after running random forest regression analysis against 1.2 million business loan records obtained from the US Small Business Administration using a Freedom of Information Act request. We determined—statistically—what factors among the individual borrower profile attributes (e.g. revenue growth, earnings, delinquencies) are most predictive in determining whether an applicant will default. Going further, we determined the relative weighting of each attribute. Our algorithm recommends credit default risk with 98.2% accuracy—the implied default rate is 1.8%, which represents a 50% improvement versus a traditional retail bank. Our loan decisioning methodology is entirely data-based and automated, which allows us to accurately filter out the most promising deals and scale with little-to-no incremental costs.

### Regulatory Compliance

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<sup>1</sup> <http://mjbizdaily.com/chart-week-60-cannabis-companies-dont-bank-accounts/>

<sup>2</sup> Cannabis is recreationally legal in 9 states + Washington D.C. and medicinally legal in 30 states.

<sup>3</sup> [http://securitiesanalytics.com/bank\\_marijuana\\_sar\\_fincen](http://securitiesanalytics.com/bank_marijuana_sar_fincen)

<sup>4</sup> The average retail bank spends 2-3 months and up to 5.8% of principal to evaluate and underwrite a small business loan; default rates range from 3-5%. Good Tree Capital decisions instantly, costs less than 0.5% of principal and has a projected default rate of 1.8%.



An additional challenge is the time and expense of complying with State laws and Federal guidance. Good Tree Capital retains the legal services of the Regulated Substances practice at Harris Bricken, a Seattle-based law firm. Our work with Harris Bricken allowed us to identify each state's regulatory compliance requirements such that we collect and report salient data to both state and federal authorities. More importantly, we've largely automated compliance data collection. Our platform engages 3<sup>rd</sup> party data providers to gather background information on approved applicants and the nature of their business; this data is reported to state and federal officials as required.

### Customer Acquisition

Having a lower operating cost structure is critical to our ability to profitably offer financing at attractive interest rates, which in turn improves our value proposition to prospective borrowers and investors. We have three avenues for generating deal flow: 1) Organic traffic to the website, 2) our Equipment Finance Program and 3) referrals from existing borrowers.

We're able to generate high-quality organic traffic because our marketing is targeted: Information about states' cannabis licensees are in the public domain, and include names of owners, physical addresses and phone numbers. We've collated a nationwide list of licensed cannabis companies that we target with email campaigns, cold calls and physical mailers. We also employ digital marketing with paid search ads on Google and Bing.

In addition to our efforts to generate organic traffic, we also partnered with some of the industry's leading equipment suppliers to offer a financing option for their customer base. Our Equipment Finance Program (detailed below) is a significant source of deal flow. Lastly, we rely on our existing borrowers to either refer us to other cannabis companies in their networks or to raise incremental financing opportunities with their businesses.

## What's the Opportunity?

The only impediment to scaling—and capturing market share quickly—is capital. We are fortunate that competition is at bay, but fully aware that this is temporary; there will be more competition for the best borrowers once the Federal government passes legislation to change the categorization of marijuana.

We are currently raising \$10 million and project Investment Members will earn 25% - 28.7% ROI over 3 years, beginning when the investment is executed. Investors receive 8 quarterly distributions in Years 2 and 3 of their investment.

Based on organic site traffic, our Equipment Finance and Social Equity Programs, Good Tree Capital is confident we will quickly put investors' dollars to work. Good Tree Capital's borrower site generates up to \$10 million in monthly deal flow; 25-30% of that deal flow is creditworthy, meaning we can immediately deploy up to \$3 million monthly.

### Equipment Finance Program

Good Tree Capital used MJBizCon—the largest marijuana expo nationwide—to showcase our Equipment Finance program. The premise is simple: A relatively small handful of companies are responsible for supplying the industry with high-dollar value equipment/machinery such as grow lamps, industrial trimmers, large-scale extraction equipment and more. We believe that there is an opportunity to partner with these suppliers to finance their customers' equipment purchases, using the equipment as collateral.

With this model, Good Tree Capital can focus resources on a significantly smaller subset of marijuana suppliers who're motivated to secure financing for their customer base, primarily because it means more sales and profit for them. The industry's largest suppliers are our primary deal generators. Another major benefit is that the equipment is used to secure the loan; in the event that the borrower defaults, we are able to return the equipment to the supplier who will then resell the used equipment on a secondary market.

Since the conference, we were able to enter agreements with a fast-growing list of suppliers, each of whom will forward equipment-financing opportunities as we raise the capital to support the deal flow. Appendix 1 reflects the suppliers who are participating in our program. Each supplier provided Good Tree Capital with estimates of how much of their monthly business would require financing through our program as well as the average size of a single deal.

Based on suppliers' initial estimates, they will provide us with \$8-\$10 million in monthly deal flow; that estimate will grow as more suppliers are added to the list.

#### Social Equity Program in Los Angeles, CA

We have a unique opportunity to finance a rapid acquisition of retail licenses in Los Angeles. At both the state and municipal levels, California is taking the lead on reserving a percentage of the total license pool for individuals from communities disproportionately impacted by the war on drugs. The rationale is that criminal enforcement against cannabis had a devastating impact on communities of color, yet individuals from those same communities represent less than 1% of cannabis license holders today. Communities of color bore a disproportionate share of the cost of criminalization, but none of the benefits of the newly legalized industry. In an effort to correct this imbalance, the L.A. City Council passed rules that prioritize applications from individuals in the most highly policed neighborhoods, including Downtown L.A. (Skid Row), Inglewood and Crenshaw, just to name a few.

In L.A. specifically, license applications from both social equity applicants and organizations that finance/incubate social equity applicants are fast-tracked and prioritized ahead of general applicants at a 2:1 ratio. Those who incubate social equity applicants are also permitted to take a majority or minority stake in the licenses granted.

We developed a pilot social equity incubator program that will finance up to three social equity applicants' commercial space acquisition, leasehold improvements and operating costs. While the financing will be in the form of a loan, the primary upside to investors is the ownership stake the fund will acquire in the limited supply of retail licenses serving L.A., the nation's second largest city and by far the largest market for recreational cannabis; 300 retail licenses will serve a market estimated to reach \$7 billion, and we plan to capture at least 1% of those licenses. Please note that this upside is not captured in the projected financials.

## What's Our Past Performance?

Our initial fund—raised in Q1-2017—totaled \$410k and is fully allocated among borrowers with operations in California, Colorado, Oregon and Washington. To-date, Fund 1 is delivering Investor Members an ROI of 31.2%.

#### Fund 1 Portfolio Companies at a Glance

Last 12 Months Revenue: \$650,000 - \$1,300,000	Avg. EBITDA%: 37.5%
Avg. Years in Business: 7.5 years	Avg. # of Employees: 13
Avg. Loan Amount: \$68,750	Avg. APR: 15.32%
Avg. Loan Term: 36 months	Default Rate: 0%
Avg. Debt Coverage Ratio: 8.6x - Borrowers typically have little-to-no debt on their balance sheets and can cover principal and interest payments with existing cash flow.	Collateral: Borrowers have committed \$1.4 million in assets made up of machinery & equipment, real estate, inventory and the inherent value of their licenses
Licenses Held: Cultivation, manufacturing and retail licenses with operations in WA, OR, CA and CO	Use of Funds: Expanding existing grow and retail capacity, increasing distribution footprint of a Colorado-based industry publication.
Net ROI to Investors: 31.2%	Net IRR to Investors: 7.2%

#### Target Borrowers

Our primary focus is state-licensed, medicinal marijuana companies throughout the value chain: cultivators, manufacturers, distributors and retailers. The focus on medicinal licensees is intentional; they are subject to fewer taxes and enjoy federal

protections that have not been extended to recreational participants.<sup>5</sup> Further, medicinal marijuana is legal in 31 states while recreational marijuana is legal in 10 states and Washington D.C. While this is our focus area, we may extend financing to licensed recreational companies and ancillary companies that support the industry but are not required to be licensed. Our borrowers are relatively mature for the industry; they have an average of 7.5 years in business and employ up to 25 staff. They are profitable and have balance sheets that can support debt financing.

### Loan Types

We issue asset-backed loans up to \$250,000. Specifically, we finance equipment purchases, real estate acquisition or construction projects. Our goal is to maximize our ability to preserve capital in the event of a default. We also provide lines of credit.

### Loan Term

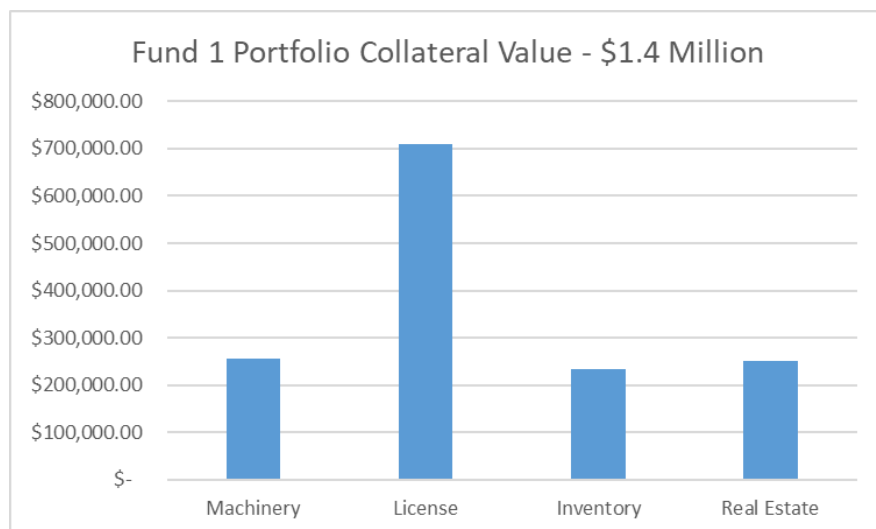
Borrowers may choose loan terms up to 36 months. The portfolio's maximum term length is 36 months.

### Interest Rates

We charge an origination fee of .99% - 1.49% in addition to Annual Percentage Rates ranging from 12% - 35%. The portfolio average APR is 15.32%.

### Loan Security

All loans are personally guaranteed by the owner(s) and secured with assets valued at no less than 120% of the value of the loan. Moreover, Good Tree Capital's interest in recovering capital is contractually senior to that of all other debt or equity holders, which means Good Tree Capital is paid first in the event of insolvency.



**Machinery & Equipment:** There is not a great deal of heavy equipment and machinery customization among cultivators and manufacturers. For example, grow lamps, trimmers and extraction equipment are highly transferrable among users. Because we have pre-established relationships with some of the nation's largest equipment suppliers, we understand the value of the equipment, the depreciation schedule and we have access to secondary markets in the event of a default.

**Operating License:** Each borrower secures his/her loan with the state-issued license that allows them to operate a cannabis business. While the licenses are not transferable, the ownership of the entities holding such licenses can be transferred or hypothecated. This allows us to take stake in the entity in the event of a default.

**Inventory:** The specifics of inventory differ depending on whether the licensee is a cultivator, manufacturer, distributor or retailer, however the majority of inventory is the cannabis plant or a value-added product such as cannabis infused edibles

<sup>5</sup> The Rohrabacher-Farr Amendment prohibits the Justice Department from interfering in State medicinal cannabis laws but does not offer the same protections to State recreational cannabis laws.



or other consumer products. Because we are not licensed to possess these products, we have relationships in CA and CO with licensees who are able to take possession of our borrowers' inventory in the event of default. We require assets that exceed the value of the loan by at least 20% so that we are able to receive 100% of the value of the loan while also providing compensation to 3<sup>rd</sup> party partners who take possession of the repossessed inventory.

*Real-estate:* Properly zoned real estate is increasingly difficult to secure. States and municipalities typically place strict limits on facilities' proximity to sensitive sites such as schools, day care centers, public parks and libraries. Accordingly, possession of properly zoned real estate is a valuable and highly sought-after asset, which makes it uniquely valuable as security.

## Investment Members Distributions

All investments are subject to a 3-year hold beginning the date of the investment. Good Tree Capital deploys investors' capital and collects borrowers' repayments over this 3-year time period. Beginning Year 2 of their investment, investors will receive quarterly distributions through the end of the fund. Investors will receive a total of 8 distributions in Years 2 and 3.

Good Tree Capital's Managers will receive a fee of 2.5% of assets under management and 20% of distributions, only after all originally invested capital is returned to the Investment Members. The remaining 80% of distributions will be allocated to Investment Members.

## Meet the Managers

### Seke Ballard

Seke is both an entrepreneur and experienced business leader. His first job after graduating with a B.S. in Management from the University of North Carolina was as a Peace Corps volunteer in the Republic of Georgia (of the former USSR), where he started a competitive small enterprise development fund that financed micro-businesses operating out of the local bazaar. Through this experience, Seke developed a fascination in finance, and specifically in the areas of the economy that are under-capitalized.

He went on to earn an M.B.A. from Harvard Business School and spent his summer working for a venture capital firm with portfolio companies in Central and South America. After graduating, Seke worked in corporate finance at Procter & Gamble, where he helped lead Polaris, an ambitious global initiative to centralize individual brand CRM platforms into a single platform. In plain-speak, he charted the path for P&G to be able to understand if and when a Tide customer might also need Gillette razors or Pampers diapers.

He was then recruited to join Amazon as a Category Manager responsible for creating and launching Amazon's private label consumables business in the US, China and India, leading both sourcing and product development for 3 of Amazon's top 5 largest categories. In this role, he was also responsible for evaluating a program to provide financing for Amazon's most critical suppliers; this work provided key insights into the loan origination standards of dozens of the nation's top banks.

Seke is the Managing Director of Good Tree Capital, responsible for the development and execution of the Company's business strategy.

### Nikolas Green

Nik has over 15 years of experience developing data products across multiple industries, including life sciences, consumer goods, and logistics. His knowledge and experience include data engineering to solve data problems at a scale of billions of transactions across millions of customers to implementing machine learning solutions to predict semi-rare events in noisy data. His work has been used to implement the segmentation and targeting of over 30 million retail customers, and to explain category performance within retail locations within the grocery business.

He is recognized within the data field as an expert having been a General Session Speaker on the power of data in the cloud for IBM, to the keynote speaker at the Master Data Management and Data Governance Summit for the MDM Institute, one of the headline speakers at the Retailology event, a conference on the application of data science in retail, and a speaker at the Chief Data Officer Executive Summit.

Nik has a bachelor's degree in Information Systems from the University of Notre Dame and a Master's of Science in Predictive Analytics from Northwestern University. His experiences have spanned a wide array of the technology space, having delivered solutions for the web and mobility solutions, and spear-heading cloud adoption across industries.

Nik is a Manager of Good Tree Capital, responsible for developing the online platform, the decisioning algorithm and data management.

### **George McGill**

Hard Work & Dedication is the mantra adopted by this sports enthusiast from one of his favorite athletes. George completed his undergraduate studies at the University of Kentucky, where he received a double major in Marketing & Finance. There he joined Alpha Phi Alpha Fraternity as a sophomore and later served as the chapter's President for three years.

Upon graduation, George accepted a position as an Internal Auditor for Procter & Gamble. After mastering the audit process George moved to Oxnard, California to take on the position as the Plant Finance Controller for the production of Bounty and Charmin. In this position, George managed a \$215 million-dollar site. After learning production finance and receiving his M.B.A. from Pepperdine University, George became the Gain Megabrand Finance Manager which included providing finance and marketing strategy to increase market share and household penetration.

After his ten-year stint at P&G, George became the Senior Finance Manager at Whirlpool managing the profit forecast for the dishwasher business. After 3 years at Whirlpool, George moved into the bourbon and whiskey business utilizing his experience to develop pricing strategies for major spirit and wine brands. Throughout his experience, George has mastered some of the most important aspects of growing and sustaining major brands.

George is a Manager of Good Tree Capital, responsible for brand and sales.

## Appendix 1: Equipment Finance Partner List

Company Name	Contact	Position	Website	Product	Monthly Deal Flow	Average Value of Deal
Advanced Extraction Solutions	Michael McDonald	Sales Marketing Manager	<a href="http://www.advancedextractionsystems.com">www.advancedextractionsystems.com</a>	Extraction Machines	\$3,996,000	\$333,000
Fluence Science	Kurt Davis	Strategy Director	<a href="http://www.fluence.science">www.fluence.science</a>	Premium Grow Lights	\$2,500,000	\$208,333
Xabis	Gary Held	Executive Chairman	<a href="http://www.xabisinc.com">www.xabisinc.com</a>	Grow facility design and operations	\$600,000	\$195,000
HighTech Extracts	Paul Gelardi	President	<a href="http://www.hightechextracts.com">www.hightechextracts.com</a>	CO2 extraction equipment	\$350,000	\$160,000
Extraction Tek Solutions	Brian Jones	Sales Manager	<a href="http://extractiontek.com/options-2/">http://extractiontek.com/options-2/</a>	Extraction Machines	\$250,000	\$50,000
Purogen Laboratories	Alan J. Novotny	CEO	<a href="http://www.purogen.com">www.purogen.com</a>	Sterilization and extraction equipment	\$200,000	\$112,500
Pack Leader USA, LLC	Terry Dye	Director of Business Development	<a href="http://www.packleaderusa.com">www.packleaderusa.com</a>	Labeling Machines	\$90,000	\$18,000
Ryall Grow, LLC	Ryan Ryall	Horticultural Lighting Consultant	<a href="http://www.ryallgrow.com">www.ryallgrow.com</a>	Lighting Equipment	\$80,000	\$40,000
Sage Industrial	Brian Taylor	VP Operations	<a href="http://www.sageindustrial.com/airros-for-cannabis">www.sageindustrial.com/airros-for-cannabis</a>	Climate Control Equipment	\$75,000	\$37,500
<b>Total</b>					<b>\$8,141,000</b>	<b>\$1,154,333</b>



## Appendix 2: Borrower Case Studies

### **Gabe Sandoval, CEO of Buddies Wellness d.b.a. La Bodega**

Licensed Cultivator and Retailer, Denver, CO

#### The “Son and Pop” Shop

Gabe Sandoval, a former electrician and real estate manager, started using medical marijuana for anxiety and general stress. Given Gabe thought it would be the safest option compared to pharmaceutical medication, and the timing of the opportunity to legally operate a facility, his entrepreneurial instincts kicked in. At the time, Gabe’s father was let go from a metal factory with bad working conditions, 6 months before he would be eligible for a 30-year pension. Gabe convinced his father, whom had never considered using marijuana, to go into business with him and put his father’s strong work ethic to use.

Gabe and his father own and operate La Bodega Dispensary in Denver, CO and have been in business for 9 years with a focus on providing high-quality medical marijuana. Gabe got started after hearing about the expansion of provisions in the state, at a time when his father got let go from his job and was looking for something to do with his time. Gabe continues to explain: “I was formerly a residential electrician part time and had a real-estate hustle on the side. Then started to branch out on my own with electrical contract work and getting my first taste of entrepreneurial success. I convinced my dad to work with me, he was looking for something to do after he was let go just 6 months away from his 30-year pension. I convinced him to do something he never considered, with no deep knowledge or past use of marijuana at all. What intrigued him was the money that could be made from it (laughs).”

Gabe experienced struggles with the learning curve of establishing a commercial growing business vs independent, low yield growing. Gabe said: “It took us about 2.5 years to really have solid quality production where we maximized our crop. That was a big roadblock, but we figured it out and feel like we’re masters at what we do here. There was always something different to tweak, something to get better at. Drying, carrying, dealing with mites, different problems we learned how to alleviate.”

Gabe found Good Tree Capital through a friend and existing Good Tree Capital borrower, the owner of Cannapages.com. The Sandovals are using the funds to open a new warehouse and to have a cushion to make sure they can take on new expenses. Gabe explained further: “This cushion really helps keep our stress levels low, and the security it brings us is very helpful. Our industry is production based, if our air system went out, or anything else random it’d help us move quickly to get it resolved. The first time we’ve ever borrowed money. We talked to other investors a few years back and didn’t like what they presented to us. They offered a big chunk of money but wanted a bulk of the company. I’m not giving away 85%. We’re trying to do this long term.”

### **Alex Accardi, CEO of California Valley Farmers**

Licensed Cultivator, Yolo County, CA

#### Fall 5 times, get up “64”

In 2007, in Vacaville, California Alex started a medical collective that supplies medical marijuana to patients that join the network, long before marijuana was recreationally legal. Using his own facility to grow the medicine, those who joined would receive their share of the medicinal crop through delivery. Alex generated an impressive level of business over the years with no storefront for his privatized business. Though, he suffered setbacks from the federal enforcement before prop 64 was in place.

When asked about why he wanted to work with Good Tree Capital, Alex explained:

“Since prop 64 passed, we've been moving forward with plans for a storefront and expanding operations. Property was already secured before getting the loan, but I needed the additional capital to move quickly. Good Tree Capital allowed me to move forward and saved me at least 6 months of time and saved me from a lot of stress. The money is going towards building out the actual farm, I had to go through YOLO county in order to get the permit. I'm not focused on making enough sales to completely fund the construction of our new properties so it's been great to have this financial breathing room.”

The founder of the medical collective has a lot of indoor grow-space/green houses, and only does business with people who are permitted to sell. Alex expands on the importance of compliance: “Everything has to be tracked and traced. Given Jeff Sessions rescinded the Obama federal regulation memo, we don't know if we're going to start getting raided again, and it makes sense for me to continue to maintain the right paper trail.”

Through searching Google, Alex found out about Good Tree Capital, and proceeded to apply for a loan. When asked about his choice to take out a loan instead of alternative funding or investments, Alex says: “I didn't want to give away a piece of my company. I was offered hundreds of thousands and didn't want to give up any ownership and control over what I built.”

Alex, the former Silicon Valley electrical engineer, defended that he would be able to make at least \$100k just from the runway that Good Tree Capital has provided. Since starting his own business after he got tired of the traditional job structure, he's been very meticulous to ensure his business stands out, is defined by his high-quality product, and covers all legal bases to ensure his survival in the marijuana market in California.

## **Rashaan Everett, CEO of Good Tree Delivery**

Licensed Retailer, Los Angeles, CA

### “The McDonalds of the Cannabis Industry”

Rashaan has a fervent obsession for startups, specifically, recognizing the disparity that exists for founders that do not have the same access to resources or knowledge as others who have generational wealth and tribal knowledge at their disposal.

Since L.A. passed their Equity Permit Program, qualified L.A. residents receive a unique eligibility fast track for medical marijuana licenses that allow them to own and operate as business owners. Rashaan saw a unique opportunity to be a catalyst for change to uplift those that were negatively affected by marijuana related offenses in the past.

Rashaan used his background in finance (B.S. in finance from Howard University, and former Morgan Stanley & Capital One Analyst), and his network of lawyers and developers to create software that helps prospective dispensary owners maintain legal compliance. Over time, this software evolved to accommodate tracking of shipments/orders, point of sale transactions, and other critical aspects of running a marijuana facility to streamline and simplify processes.

Gating the access of the aforementioned software exclusively to franchisees of Good Tree Delivery gives the organization a unique competitive advantage to minimize operational costs for franchisees. The concept leverages the Equity Permit Program to provision eligible business owners with the proper licensing, and resources and financial backing to bridge the gap that exists for those that don't have the access to funding from traditional fund-raising methods.

The startup founder noted that receiving a \$50,000.00 loan allowed him to take one of the most difficult steps towards realizing his plan, by acquiring a commercial building. It was critical to provide them with the means for a supply chain, and the capital to grow and scale.