



Pelorus Fund

HIGH-PERFORMANCE DEBT

MARCH 2021



Operating a cannabis business requires specialized real estate, but construction costs are high and they are difficult to finance.

That's why the rates we can achieve are so much better than traditional debt finance.

Investment highlights

We finance the construction/conversion of properties for the cannabis industry:

- Rapid growth of the US cannabis sector means high demand for cannabis-ready real estate
- Build outs for cannabis assets are highly specialized and costly as with other specialty use real estate assets, e.g. data centers, cold storage and lab space
- Financing for these improvements is difficult to obtain and delays can cost owners millions, so they are willing to pay a premium for a reliable, turnkey service

You can share in these revenues by investing in the Pelorus Fund:

- Private Mortgage REIT
- 15% IRR Target yield
- Monthly distributions

WE ARE THE EXPERTS

in cannabis lending

PELORUS PRINCIPALS

DAN LEIMEL CEO

Industry experience: 29 years
Funded over 5,000 real estate
transactions in his career



ROB SECHRIST PRESIDENT

Industry experience: 21 years
Raised more than \$300m in
secured real estate
transactions



TRAVIS GOAD MANAGING DIRECTOR

Industry experience: 14 years
Invested in or structured
over \$2bn of commercial
debt transactions



**The team has already funded
transactions totalling over \$150 million**

- ✓ Our proprietary data analytics deliver significant advantages in deal origination, pricing and risk management
- ✓ We are pioneers in specialized cannabis debt financing
- ✓ We have built strong networks and goodwill in the sector

WHY CANNABIS LENDING, WHY PELORUS?



Operating a cannabis business requires the use of specialized property which typically needs to be built or converted:

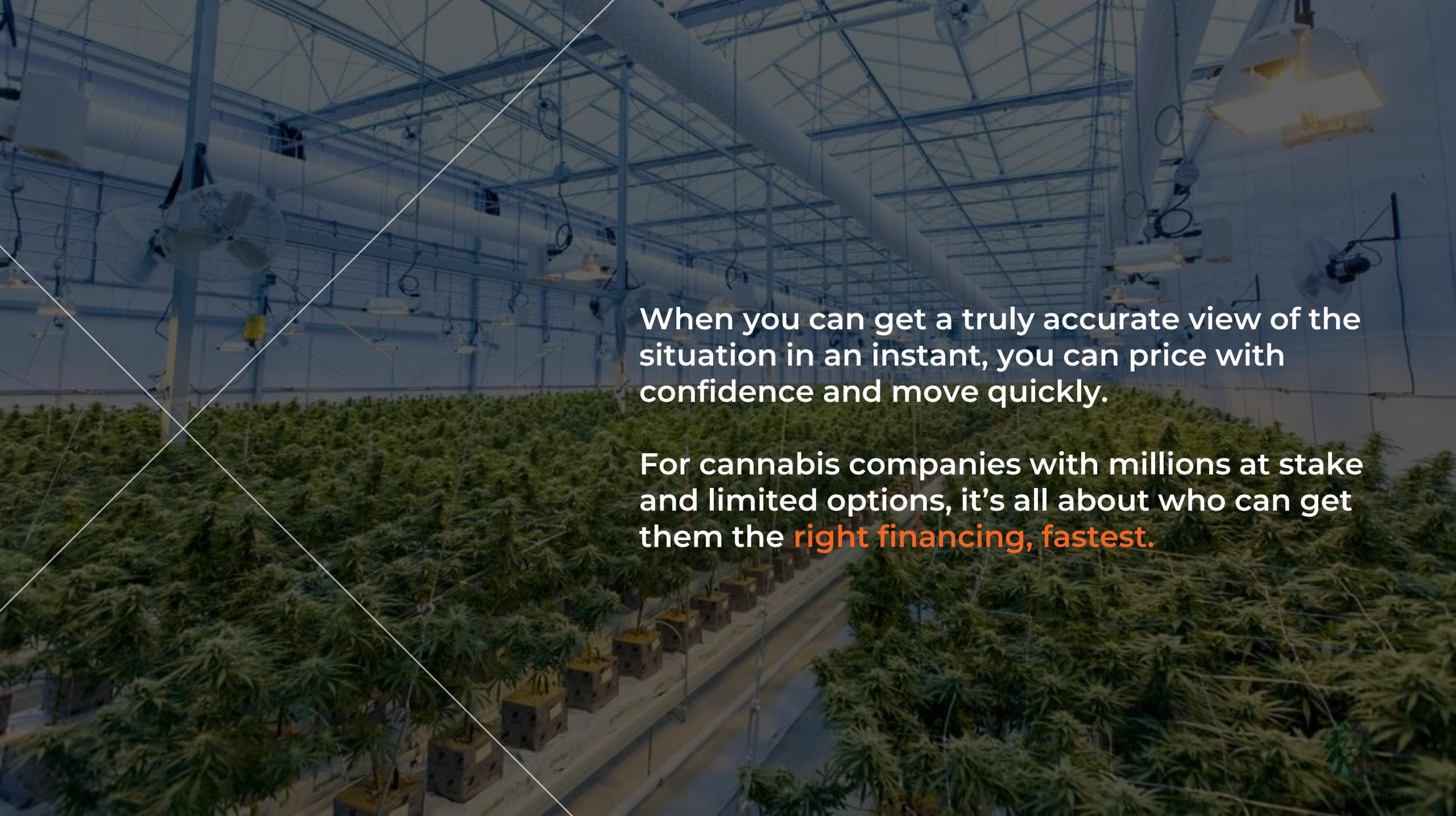
- The cost to build or renovate is high
- Traditional lenders are poorly positioned to finance these essential works
- Once a capital provider is identified, receiving funds can be a lengthy process, delaying the ability to operate

Delays could cost operators or property owners millions in lost sales or higher rents.

Property owners pay a premium for our value-add financing:

- We approve construction draws in 1-3 days
- One agreement can cover the financing of the entire project
- We provide access to expert sector knowledge and a deep network

Even though our lending rates are high, our total cost of lending is typically lower, and our quicker draws mean both owners and operators can generate revenue sooner.

A large indoor cannabis cultivation facility with rows of plants and overhead lighting.

When you can get a truly accurate view of the situation in an instant, you can price with confidence and move quickly.

For cannabis companies with millions at stake and limited options, it's all about who can get them the **right financing, fastest.**

The cannabis industry is protected and here to stay

The Rohrabacher-Farr Amendment (2014)

Prohibits the Justice Department from spending funds to prevent states from implementing their own state laws that authorize medical cannabis programs

Pending Legislation at Federal Level:

1. Safe Banking Act

This would allow cannabis companies to access more mainline banking services, e.g. accept all debit and credit cards and access SBA loans. This is highly unlikely to increase availability of bank finance for build-outs due to other, structural issues in the banking sector.

2. Federal Legalization (States, MORE, CARER)

Legalizing cannabis at the federal level is considered a question of when and what form it will take rather than “if”. Several competing bills are circulating, each advocating for a different method of legalization. This is likely to take several years.

Support for marijuana legalization amongst the American public is strong and growing

- Two-thirds of the population are in favour of its legalization both for medical and recreational use, a considerable growth from 2010 when the number stood at 52%.
- 91% of the population believe it should be legal for medical use.*

*Source: Pew Research Center, Survey of US adults conducted 3.15.2019

CANNABIS-READY REAL ESTATE IS IN SHORT SUPPLY

A plethora of local and state regulations severely limit where cannabis industry businesses can operate:

Local Property Restrictions:

- Located within a “green zone”, where cannabis property is legally permitted
- Conditional-Use-Permit (CUP)
- Tenant needs cannabis use license for specific property

State Restrictions

- Cannabis-use businesses must be licensed by the State



“Our proprietary data tools enable us to understand the supply dynamics of cannabis related property across the US; we know their location, the property type and the size – details that are essential to accurately assess risk and value.”

TRAVIS GOAD, MANAGING DIRECTOR, PELORUS



QUALIFYING PROPERTIES WILL BE BUILT OUT FOR CANNABIS USAGE

1 The majority of our borrowers are owner operators. For these cannabis companies, a series of improvements are typically required in order to be able to operate.

2 For owners of non-cannabis converted property, their real estate can deliver far greater returns if they are able to convert it for cannabis industry use:

Example 27,000 SQF property	Non-cannabis tenant	Cannabis tenant	Increase
Property value	\$2M	\$4.5M	225%
Monthly tenant revenue	\$100K	\$1.3M	1300%
Monthly lease rate	\$20K	\$65K	325%

But these improvements are costly and difficult to finance

Compared to standard real estate development, cannabis build-outs are far more complex and expensive. For example, HVAC and electrical costs are significantly greater.

This additional cost typically requires financing.

Federal Law prevents most traditional lenders from financing these projects. And even when financing can be obtained, it is often a complex process requiring multiple stages and taking several months to complete.

With monthly revenues being in the millions for cannabis operators, the opportunity cost is significant.



Owners will pay a considerable premium for our speed of delivery

We are able to achieve a significant premium to traditional real estate debt providers, with an average weighted note rate of 15.3%.

This is because we offer cannabis real estate owners and owner/operators 3 significant advantages over other lenders:

- We typically process construction draw requests in just 1-3 days
- One agreement can cover the financing of the entire project
- We understand the unique requirements of the cannabis industry and can lend accordingly

In fact, our total cost of financing is typically cheaper than other options

Because we process draw approvals quicker, we save property owners considerable time during the construction period.

By delivering financing over a shorter period, even though the interest rate is significantly higher, our total cost of financing is typically lower.

This enables property owners to start generating revenues sooner for a similar or lower cost of financing.

With monthly revenues often exceeding \$1m, speed of opening is paramount.

CATEGORY	PELORUS	TRADITIONAL BRIDGE
Draw Approval Processing – Days	3	7
Average Draws Per Project	50-100	10-20
Maximum Monthly Draws	Unlimited	1-2
Estimated Time Savings	40%	0%
Typical Completion Timeline – Days	180	300
Nominal Interest Rate	16%	10%
Effective Interest Rate to Completion	8.0%	8.3%

HOW DO WE DO IT?

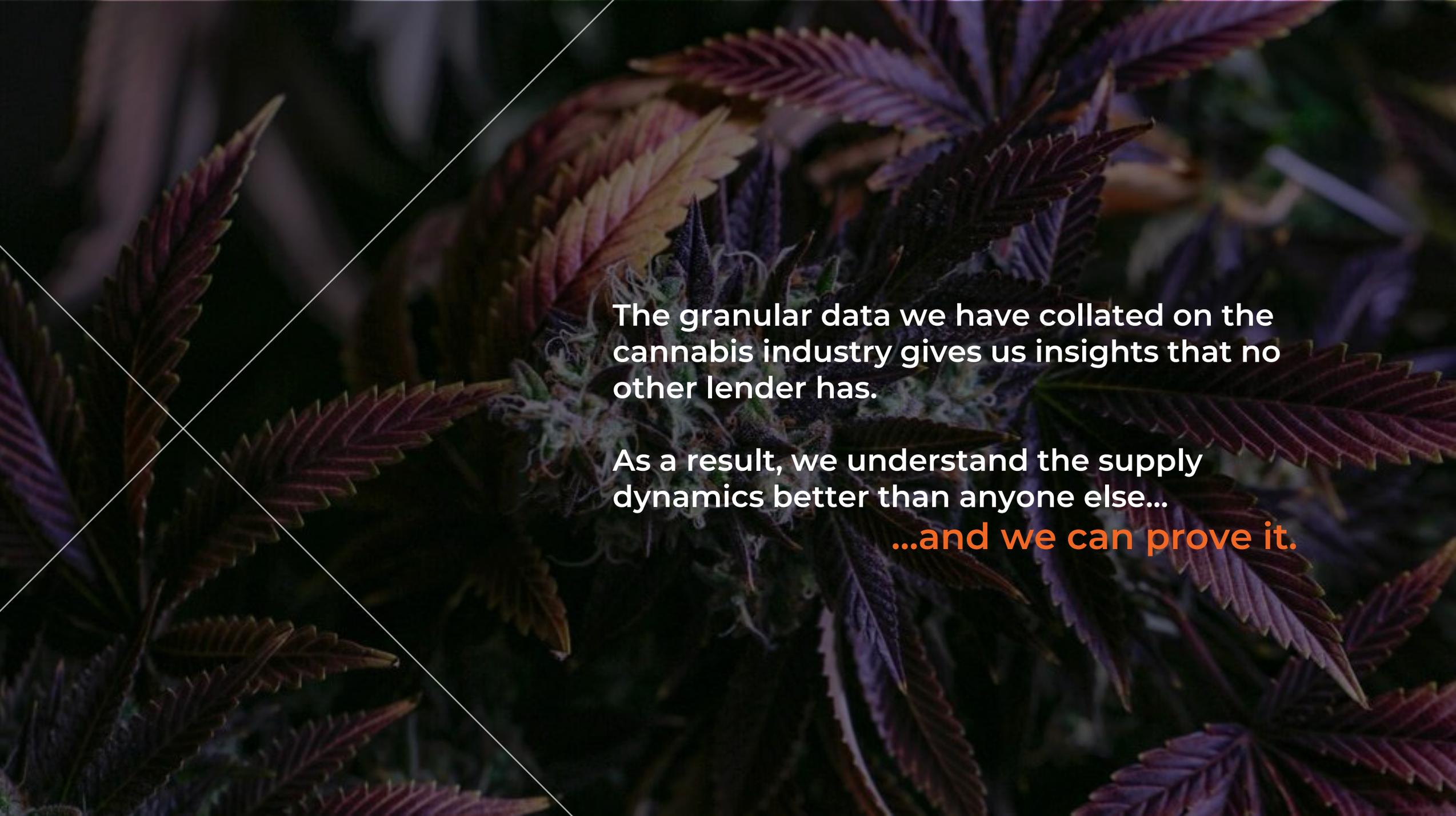
Sector knowledge, underwriting experience and superior data allow us to close deals quickly and with conviction.

We are one of the most experienced providers of debt finance to the cannabis industry.

We have built datasets and analytical tools which enable us to move faster and with more certainty than other non-bank lenders.

Our team have underwritten thousands of deals in the broader debt financing markets.





The granular data we have collated on the cannabis industry gives us insights that no other lender has.

As a result, we understand the supply dynamics better than anyone else...

...and we can prove it.

OUR DATA PLATFORM ENABLES US TO MAKE SMARTER DECISIONS, FASTER

- The cannabis real estate sector offers substantial returns, but adds several layers of complexity to any deal
- Standard real estate databases do not capture important cannabis-specific information
- Consequently, we have invested significant time, effort and capital in building the industry's leading data and analytics platform

“You need specialized data to make smart decisions in this sector – and that’s incredibly hard to obtain. We know this from experience.”

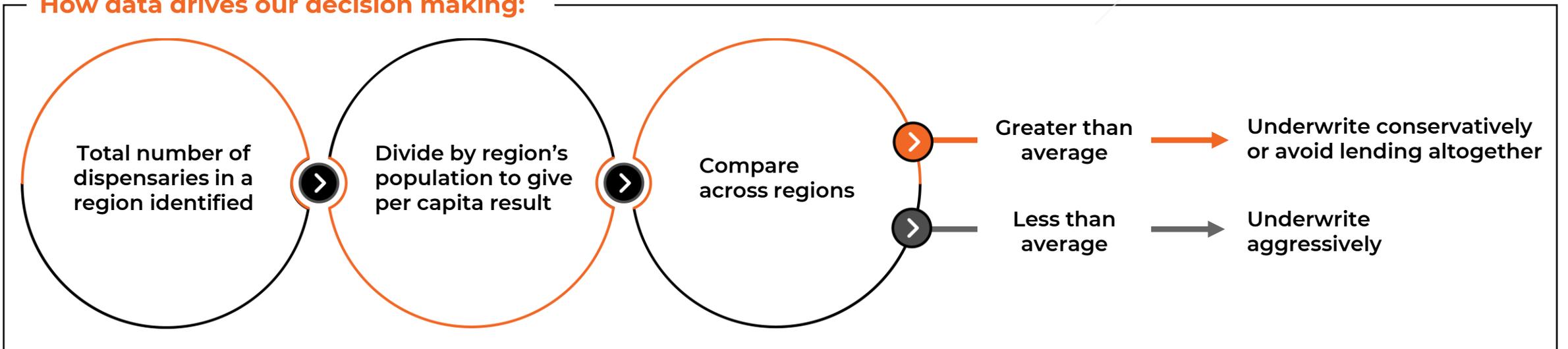
ROB SECHRIST, PRESIDENT, PELORUS

MARKET SUPPLY

Our data tools are critical for pricing risk correctly, as they tell us:

1. The size and depth of cannabis commercial real estate in the US
2. The distribution of property types in each state

How data drives our decision making:



LOCATION-SPECIFIC VALUE DRIVERS



Cannabis real estate has several additional value drivers to traditional real estate assets that are essential for pricing risk accurately.



The cannabis market is regulated at the state, regional and city level. Depending on the city, different regulations will take precedence. Understanding all of these nuances is impossible without a specialized data set.



While other lenders rely on standard real estate data to inform their cannabis lending decisions, we can map the licenses and regulations of each city, state and region, to give us a clear understanding of the market dynamics and, therefore, the risk.

STATE PROFILE	# DISPENSARY LICENSES	DISPENSARIES PER 100,000 RESIDENTS	STATE REGULATED?	REGION REGULATED?	CITY REGULATED?
Example: Within Eastern Coastal State	150	1.17	Yes	Yes	No
Example: Within Western Coastal State	1,000	2.53	Yes	No	Yes



> “We believe that when relationships are truly equitable, all parties will benefit.”

DAN LEIMEL, CEO, PELORUS

Our investors benefit from multiple revenue sources as well as the REIT structure

REIT benefits:

- Qualifies for a 20% Federal tax savings on income distributed to the Fund Members
- Investors only pay state taxes in their domiciled State, and not in California, where Pelorus originates, or in States our loans generate income
- Cleanses UBTI for self-directed IRA investors
- The Pelorus Fund has the first right to fund any cannabis-use commercial property transactions before the transaction would be syndicated to outside investors

Members receive:

- 100% of net income
 - Interest collected on outstanding loans
- 25% of origination fees
 - Borrowers typically pay 4-6 points in origination fees
- 75% of extension or exit fees
 - Fees are charged for extending a loan or exiting early
- 50% of Profits
 - Net profits generated from equity participation, options for warrants or other profitable events

YOUR CANNABIS FINANCE EXPERTS



**DAN
LEIMEL**
CEO

Dan has 33 years operating, owning and managing lending companies, loan servicing entities and real estate funds. Dan oversees all operations at Pelorus and is the Managing Member of the Pelorus Fund and also acts as Sr Underwriter, Head of Loan Committee and Fund Control Manager for all construction draws related to the Pelorus loan portfolio. Over his career, Dan has successfully underwritten, raised capital and closed over 5,000 transactions.

Key experiences: Dan is a serial entrepreneur and business owner, having previously founded Alliance Financial, Alliance Capital Funding, DAL Financial, Lost Winds Capital Inc and numerous successful single project based entities.

Education: CFL Licence, CA Real Estate License, CCIM coursework



**ROB
SECHRST**
PRESIDENT

Rob has over 20 years experience of large scale real estate finance, having raised more than \$300M in secured transactions. Rob's primary role at Pelorus is the development of strategic alliances with investors, the formation of equity partnerships, coordinating growth plans into new markets and underwriting transactions. Prior to joining the real estate industry, Rob was founder and CEO of an international action sports manufacturing company.

Key experience: CEO of JRS Capital USA, President/CEO of Stinger Wakeboards

Education: BA from San Diego State University, California Real Estate Broker's License, NMLS License



**RICK
SCATTERDAY**
MANAGING
DIRECTOR

Rick has 15 years experience in strategic management and has completed real estate transactions valued at over \$375m since 1997. At Pelorus, he drives acquisitions, asset management, daily operations and disposition activities.

Key experience: VP of Project Finance for Burnett Development, Investment Advisor at Aegon, Analyst at Voit Commercial Brokerage

Education: BA from California State University, California Real Estate Broker's license



**TRAVIS
GOAD**
MANAGING
DIRECTOR

Travis has over 13 years of experience in commercial real estate investing across the capital stack, including debt and equity investments. At Pelorus, he sits on the credit committee and is responsible for the origination of new loans and new equity/debt investments.

Key experience: Founder of TG Capital Advisors, Senior VP at The Harbor Group, CMBS Trader at MKP Capital, VP of Real Estate Group at LNR Property LLC

Education: BA from Texas State University-San Marcos, Masters degree from Texas A&M

IR & OPERATIONS TEAM



TANYA KRUG
INVESTOR RELATIONS

Tanya is responsible for Pelorus' Investor Relations, having worked in the real estate industry for over 15 years prior to joining the team

Key Experiences: Senior VP at LVDAG LLC, Asset Manager at LoanMarket, Account Executive at New Beginnings

Education: Real Estate Sales Agent / Life Insurance Licensed from the California Department of Real Estate



JENNIE VAUGHN
OPERATIONS MANAGER

Jennie manages the day-to-day operations of the Pelorus team

Key Experiences: Consultant at Your Simple Office Solutions Inc., Bookkeeper at Vaughn Bookkeeping, Office Manager at Alliance Financial

Education: BA in Business Administration from the University of Phoenix



LENDING PROCESS



SOURCING

Our data advantage, proprietary network, goodwill and reputation in the sector mean we see more deals than other providers



PRESCREEN

Collateral valuation, construction budget, sponsor credit worthiness, experience and necessary licencing



SUBMISSION PACKAGE

Loan application form, business plan, financial statements, purchase and sale agreement, construction plans and permits, cannabis licenses, cash flow budgets, insurance documents, background checks, budget review



UNDERWRITING

Underwrite cash flow from real estate
Evaluate sponsor credit worthiness
Detailed analysis of business plan



APPRAISAL & CONSTRUCTION BUDGET

Appraisal including property inspection report, collateral evaluation, construction renovation budget



ONGOING RISK MANAGEMENT

Data tools and loan structure designed to preserve principal capital at all costs

ORIGINATION

We see more deals than other market participants

Our data advantage

We have identified 5,600 cannabis cultivation licenses across ~3,000 unique companies in California. We have also identified the location and license types of each of these operators. This allows us to identify the best borrowers in “Class A” locations as well as find replacements if existing tenants come into hardship.

Reputation and goodwill

We are directly approached by many borrowers due to our reputation as fast, flexible and reliable lenders in the cannabis sector. Our track record gives borrowers confidence that we can execute transactions and, therefore, enable them to close a deal when there are multiple buyers with back-up offers and their deposit is non-refundable. For a borrower, this peace of mind is worth paying for.

Length of service in industry and depth of network

We are one of the longest standing players in a relatively young industry, having already executed almost 50 transactions. We are one of the few specialist lenders in the sector who can provide capital and add value throughout the development of the properties, making us an attractive partner.



RISK MANAGEMENT



Our data advantage

Our data tools inform us on the average size and value of particular property types in each state. Therefore, when assessing a particular asset, we can compare it to a benchmark and determine its future liquidity, to assess whether it may be sensitive to valuation swings that could present a credit risk. We also assess the size of the market in each state and ensure our own positions are not too high a proportion.

Legislative controls:

All properties must be in a “green-zone” location with a conditional-use-permit (CUP). All loans are secured against these assets, which are significantly more valuable than standard industrial property.

Loan structure:

- 25% minimum cash contribution from borrowers
- Conservative loan to cost ratio (53% average)
- Full recourse personal and corporate guarantees
- Cannabis license pledged as collateral
- Borrower must be current on payments, taxes, insurance and licenses
- Default Share pledges from control investors in corporate entity
- Funds only disbursed once proof received that budgeted improvements have been completed
- Construction loan agreement covenants
- Licenses must be in place before draws are released

In newer real estate sectors, the lack of comps can make valuation problematic

If a borrower defaults, what is the true value of the assets the loan is secured against?

The cost of improvements, and their specificity, means it is not typically financially viable to convert for different industry usage.

But this is similar to almost every type of specialist real estate – no one finances a data center on the basis that in case of default it might be converted to apartments.

In most cases, due to scarcity of supply, and the advantages of moving into an already operational asset, there is a large pool of potential cannabis tenants, eager to move in.

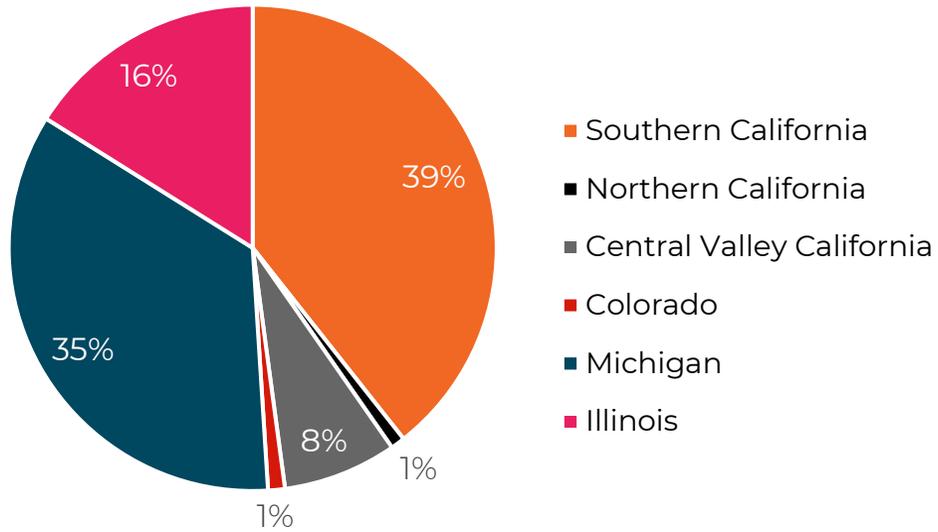
We leverage our data advantage to factor in the supply / demand characteristics of the local market, underwriting far more conservatively if the pool of potential “backfill” tenants is small.

Source: Multiple data sources; Pelorus analysis

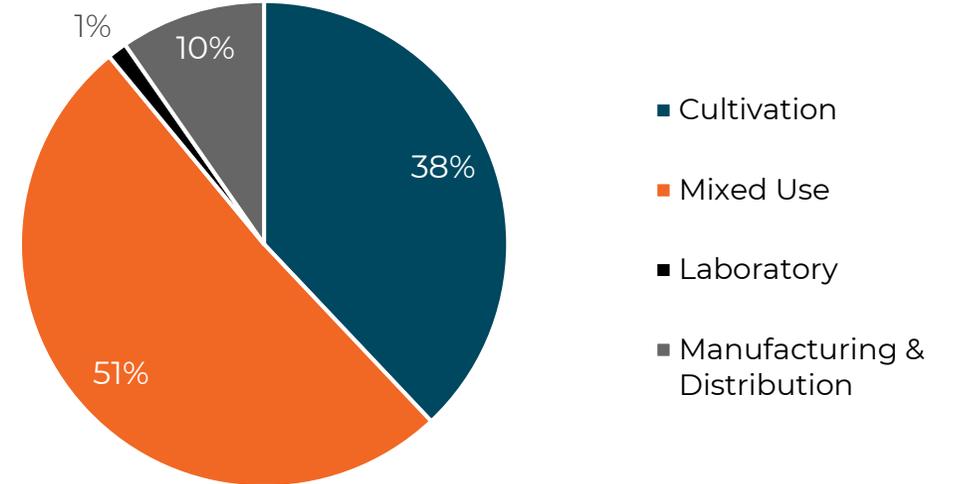
MARKET DATA	COLD STORAGE	LAB SPACE	DATA CENTERS	CANNABIS INDUSTRIAL
Construction Costs PSF	\$150 - \$250	\$650 - \$1,200	\$350 - \$550	\$300 - \$500
Rent PSF	\$8 - 12	\$35 - \$85	N/A	\$35 - \$60
Market Cap Rates	5% - 6%	4.5% - 6%	5% - 6.5%	10% - 15%
Construction Financing Sector				
LTC	65% - 70%	65% - 70%	65%-70%	50% - 65%
Rate	4% - 5%	4% - 5%	4% - 5%	14% - 17%

PORTFOLIO CONSTRUCTION

REGION



PROPERTY TYPE



\$150M

TOTAL LOAN BOOK

\$4.2M

AVERAGE LOAN VALUE

46%

AVERAGE LTV (53% LTC)

15.3%

WEIGHTED AVERAGE NOTE RATE

Historical performance

YEAR	AUM	AVERAGE NOTE RATE	IRR	LIFE TO DATE IRR
2018	\$1,495,000	13.40%	11.60%	11.60%*
2019	\$6,492,000	16.86%	15.50%	13.86%
2020	\$56,136,585	15.40%	15.08%	14.26%

*Partial year return. Fund inception May 2018

SOUTHERN CALIFORNIA

Grow Packer



Property Details

- Property type: Manufacturing / Co-Packing / Distribution
- Square foot: 27,748
- Status: Stabilized

Transaction Summary

- Loan Amount/PSF: \$8,000,000 / \$288
- Note rate: 14%
- Term: 36 months
- LTC: 71%
- Warrants: Yes
- Convertible Debt Option: Yes

COMPANY:

A co-packing, manufacturing and distribution company that packages cannabis into state compliant packaging for third party growers. They also manufacture edible and beverage products based on a client's specific recipe or their own recipes for white label. The finished products are then distributed to dispensaries around the state of California.

WHY WE INVESTED:

California market is seeing significant demand for co-packing and third-party manufacturing. Our proprietary data gave us confidence in the sustainability of demand for this part of the supply chain.

IMPROVEMENTS:

Interior build out and specialized FF&E including walk in coolers, commercial ovens, bottling lines, industrial beverage manufacturing build out.

WARRANT STRUCTURE:

Warrants include the Lender's right to monetize the warrants at Loan Maturity via a put, hold the options, or exercise options at Lender's discretion.

CONVERTIBLE DEBT:

\$1MM of the \$8MM Loan amount was, at our option, convertible into company shares at the company valuation at the time of loan origination. This provides potential additional upside if shares are liquid at maturity and the company has increased in value.

ILLINOIS

Acreage Holdings



Property Details

- Property type: Cultivation/Manufacturing/Processing
- Square foot: 82,628
- Status: New Construction

Transaction Summary

- Loan Amount/PSF: \$13,320,000 / \$161
- Note rate: 16%
- Term: 18 months
- LTC: 41%
- Warrants: No
- Convertible Debt Option: No

COMPANY:

Acreage Holdings is a publicly traded operator with a multi state footprint and implied backing from Canopy Growth.

WHY WE INVESTED:

Illinois is a limited license state with a very strong market; sales are well above expectations since recreational legalization in 2020. This creates significantly more demand for cultivation than currently is open and operating. The company invested \$19m in equity behind our loan.

IMPROVEMENTS:

Indoor cultivation, processing and packaging facility. At the time of loan closing, property was under construction and about 40% operational.

Fund terms

Structure:	Reg D 506c / Private Mortgage REIT	Member Lock-Up:	One Year
Targeted Equity Raise:	\$250,000,000	Member Liquidity*:	8.33% of investment per month
Investors:	Accredited Investors	Management Fee:	1%
Minimum Investment:	\$100,000	Hurdle:	None
Target Net IRR:	15%	Carried Interest:	None
Distributions:	Monthly	Fund Manager:	Pelorus Management Group LLC
Reinvestment Option:	Yes	Fund Administrator:	Armanino
Leverage:	Warehouse line of credit	Banking:	First Federal Bank of Florida (FDIC Insured)
Term:	Evergreen	Legal Counsel:	Geraci Law Firm
Fund Liquidity:	20% of AUM per year	Auditor:	CohnReznick

*Subject to fund limits

Disclaimer

This Fund overview is confidential and intended to the addressee and may not be disclosed or distributed to any other person without the prior written consent of Pelorus Equity Group, Inc.

No representation is made with respect to its completeness or timeliness. The information is not intended to be, nor shall it be construed as, investment advice or a recommendation of any kind. Past performance is not a guarantee of future results. This Fund overview is for information purposes only and does not constitute an investment management agreement or offering of securities. It is subject in its entirety to the terms and conditions contained in any offering memorandum or private placement memorandum or other offering documents (the "Offering Documents"). This material is neither an offer to sell nor a solicitation of an offer to buy any security described herein. Such an offer can only be made by the prospectus or private offering memorandum, which contains complete information regarding risks.

There can be no assurance that the investment product described in this Fund overview will achieve the targeted rate of return or other specified parameters and there is no guarantee against loss resulting from the investment. Investment in the Fund carries risk of loss of capital. Investors should review the terms of any Offering Documents with due care and appropriate professional advice. Return targets or objectives are used for measurement or comparison purposes and only as a guideline for prospective investors to evaluate the investment strategy and the accompanying risk/reward ratio. Targeted returns are subjective determinations by the investment manager based on a variety of factors, including, among others, investment strategy, prior performance or similar products, volatility measures, risk tolerance and market conditions. Performance may fluctuate, especially over short periods. Targeted returns should be evaluated over the time period indicated and not over shorter periods. Targeted returns should not be relied upon as an indication of future performance. No representation or assurance is made that the fund or a managed account will or is likely to achieve the objectives or targeted returns. The information contained herein is not complete, may change, and is subject to, and is qualified in its entirety by, the more complete disclosures, risk factors, and other information contained in the relevant Offering Documents.

This is a "blind-pool" offering because we have not specifically identified our investments and likely will not have done so at the time you invest. As a result, you cannot evaluate the risks of, or potential returns from, any of our investments at the time you invest. Our lack of operating history and our General Partner's and our Investment Manager's limited operating history decreases your ability to evaluate your investment. We will not apply for an advance ruling from the Internal Revenue Service as to any federal tax consequences of an investment in us, and if the Internal Revenue Service classifies us as a corporation you will lose tax benefits. Since there is no public market for our Interests, an investment in our Interests is considered illiquid.

You should be prepared to hold your Interests for at least the one-year lock-up period and then may exit 25% of principal investment per quarter with written notice, at the managers sole discretion. You will have very limited voting rights and you must rely on the Manager. If we borrow funds to make investments, we may need to divert our cash flow from operations and distributions to service our indebtedness. A prolonged economic recession or changes in general economic conditions, or both, including fluctuations in demand or federal policies for cannabis lending and may result in delays in investment and reinvestment, delays in leasing, re-leasing and disposition of assets, and reduced returns on capital. Our performance will be subject to the risk of senior secured notes and other investment defaults. Uncertainties associated with the cannabis lending industry may have an adverse effect on our business and may adversely affect our ability to provide you any economic return from our units or a complete return of your capital. You may incur tax liabilities in excess of cash distributions you receive from us in a particular year. There are material federal income tax risks associated with this offering. The Manager and affiliates will receive significant compensation, which will reduce distributions to you. There are potential conflicts of interest between our Manager and us and the affiliates. The Fund is not registered under the Investment Company Act. Accordingly, the Act's provisions (which, among other matters, require investment companies to have a majority of disinterested directors) will not be applicable.

Investment decisions made on behalf of the Fund will depend to a large extent on the knowledge, judgment and experience of the Portfolio Managers. Most of the Fund investments will be relatively illiquid. There can be no assurance that investments can be liquidated in a timely fashion. There is no guarantee that the Fund will be able to diversify its investments. Poor performance by a few of the investments could severely affect total returns to the Investors. Returns may be affected by industry uncertainties and higher than expected investment defaults. You should purchase our units only if you: meet the investor suitability requirements; are prepared to hold your investment for a couple years, do not need to rely on the cash distributions from your units as a regular source of cash; have no need for your investment to be liquid; and are prepared to assume the substantial risks associated with an investment. A substantial portion, and possibly all, of the cash distributions you receive from us will be a return of capital and not a return on capital and the amount and rate of cash distributions could vary and are not guaranteed. In addition, there are material federal income tax risks associated with the offering of our Interests. You should consider the risks above together with all of the other risks and other information included in the confidential offering memorandum in evaluating the purchase of our Interests. Fees to affiliates, illiquidity, leveraging, and performance may be affected by unanticipated declines in residual value or changes in the market.



Contact Us

TANYA KRUG, INVESTOR RELATIONS

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