

A scenic view of the Golden Gate Bridge in San Francisco at dusk. The bridge is illuminated with warm lights, and the water reflects the colors of the sunset sky. In the foreground, there is a grassy hill with some trees and a dirt path. The overall atmosphere is peaceful and picturesque.

MARIN FINANCING

SPECIALTY LENDING

MARIN FINANCING LLC

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CONFIDENTIAL

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The Opportunity



Robust Industry Growth 1

According to ArcView Research, the legal cannabis market in North America is expected to grow approximately 22% per year, to approximately \$25 billion over the next 5 years. California is expected to represent the majority of that growth.

Lack of Financing Infrastructure 2

Traditional forms of financial capital are not yet available to the industry.

Opportunity for Working Capital Lending 3

\$25BN California Market by 2026*. Working capital is approximately **15%** of revenue = **\$3.75BN market opportunity****.

Asset Based Financing Provides Immediate Short Term Working Capital To Enable The Continuation of Profitable Revenue Growth

**CFN Media Group Estimates **Marin Financing Estimates*



Executive Summary

1. Fast Industry Grow

Cannabis is one of the fastest growing industries in the US. The industry is expected to grow 20%+ according to Arcview Research

3. Loan Security

Valuable, hard assets creates opportunity for secure lending

5. Strong Relative Risk/Return Profile

Relative to other asset classes, short duration, secured loans in cannabis have high risk adjusted returns.

2. Capital Constrained

High growth industry that requires constant capital with limited available sources.

4. High Investment Returns

Regulatory barriers to entry create very attractive return opportunities.

6. Focused on The Largest Market - California

Fully licensed California lender



“Borrower Benefits of Secured Asset Lending”

- ✓ Few alternatives: Working capital revolvers do not exist in the market today
- ✓ Manage payment terms and movement away from COD environment
- ✓ Alternative to raising expensive equity
- ✓ More predictable cash flow to the company
- ✓ Flexibility negotiating with suppliers
- ✓ Maintain customer relationships - Ability to provide extended terms
- ✓ Shorten cash conversion cycle

| Marin Financing Lending Solutions

Secured Lending

Receivables
Inventory
Equipment
Real Estate

Factoring

30-180 day term
60-70% advance rate

Bridge Loans

Acquisition
Expansion

| Loan Characteristics

- ✓ Personal guarantees
- ✓ Parent guarantees
- ✓ Low debt to equity
- ✓ First lien on all present and future assets
- ✓ Monthly interest
- ✓ Prepaid interest
- ✓ Short term

✓ Covenants

- Capex restrictions
- Coverage ratio minimums (EBITDA/Interest)
- Leverage maximums (Debt/EBITDA)
- Asset Sale limitations
- Restrictive payments (Dividends etc.)

✓ Management salary and bonus restrictions

✓ Lock box when applicable

Borrower Characteristics

- ✓ Revenue generating
- ✓ Regulatory compliant
- ✓ Institutional operations
- ✓ Experienced management with skin in the game
- ✓ Track record and ability to raise equity capital
- ✓ High quality salable inventory - strong brands, quality product
- ✓ Large well capitalized retail counter-parties
- ✓ New, unmodified equipment with high resale value and low payback period
- ✓ Proven, well funded customers
- ✓ Fast cash conversion



| Due Diligence Process

Marin Financing will require the receipt and verification of:

1. Complete historical bank statements
2. Formal management diligence discussions
3. Relevant references
4. Documentation of prior supply and customer transactions
5. Customer due diligence (receipts, bank transactions, customer calls and financial analysis)
6. Multiple site visits
7. A detailed description on how historical receipts were billed and paid
8. Proof of incorporation, EIN verification
9. Audited financials if available
10. License verification
11. Management background and credit checks

| High Asset Coverage Mitigates Losses

- ✓ **1st lien priority on quantifiable liquid assets**
 - Receivables
 - Inventory - i) flower ii) oils iii) edibles iv) consumption devices
 - Hard Assets - i) production equipment ii) property iii) buildings
- ✓ **30% reserve on receivables accounts acts as a deep initial loss cushion**
 - \$70 loan on \$100 face amount of receivables
- ✓ **Lending against 50% of salable inventory value (no credit for WIP) and equipment resale value creates high probability of principal recovery in default**
 - Inventory is liquid and turns quickly
 - Personal guarantees in place for orderly, legal liquidation of inventory
 - Regulatory constraints have created a shortage of product
 - Equipment has short payback periods of less than 1 year

Lending Market Segmentation

The portfolio will contain loans from the following opportunity buckets

Early Stage Companies

- ✓ \$2-15mm run rate revenue
- ✓ Cashflow + or - depending on business model
- ✓ Less financial reporting and management Infrastructure
- ✓ Use of Proceeds = receivables and inventory financing, equipment capex

Duration : 3 - 12 months

Coupon : 2-5%/Month

Warrants : Yes

Size : \$250,000 - \$1,000,000

Middle Stage Companies

- ✓ \$15-50mm run rate revenue
- ✓ Cashflow + or - depending on business model
- ✓ Robust reporting and full management team
- ✓ Multiple equity raises
- ✓ Use of Proceeds = acquisitions, working capital and equipment capex

Duration : 6 - 24 months

Coupon : 15 - 30%

Warrants : Yes

Size : \$500,000 - \$3,000,000

Later Stage Companies

- ✓ \$100mm+ run rate revenue
- ✓ Public company (CN listed)
- ✓ \$100mm - \$1bn market capitalization
- ✓ Multiple market presence
- ✓ Complete C-suite management and Boards

Duration : 12-36 months

Coupon : 12 - 15%

Warrants : Yes

Size : > \$10mm

Return Example-Accounts Receivable Secured Loan*

**Example for
\$1,000,000 face
amount
receivable
(\$700,000
borrowed) on a
45 day term**

Funds can be recycled 8x a year (360/45)

45 day fee = 3.25% X \$1mm face
amount = \$32,500 (Only \$700,000 of
investor \$'s is funded)

Annualized absolute return = 8 X \$32,500 = \$260,000
- (Marin Financing Management Fee of 25% =
\$65,000) = \$195,000

Net Annualized Return to Investors ($\$195,000/\$700,000$) = 27.8%

**Presented return example is for illustrative purposes only*

| Legal Counsel – Extensive Cannabis Experience

Buchalter

Buchalter has one of the largest practices on the West Coast devoted exclusively to commercial lending and finance. They represent leading lenders, factors, equipment lessors, and other financiers, and through that representation participate in and shape some of the most complex and novel transactions in the market, across a broad spectrum of industries. Buchalter has a working group dedicated to the emerging cannabis industry.

Fox Rothschild

Fox Rothschild is a national law firm with 950 lawyers in 27 states. Their Cannabis Law Practice Group Fox is a national team of skilled and experienced attorneys to assist cannabis businesses at every step. They have experience working for highly regulated businesses and navigating the constantly evolving matrix of state compliance regulations. They have deep experience in corporate and financing work, including banking, entity formation and venture capital.

Geraci LLP

Geraci LLP is a premier law firm focusing on the banking, real estate, corporate and securities practices with a particular focus on hard money / private money lenders ensuring clients are compliant with the applicable securities laws, structuring strategic partnerships and creating innovative solutions. Expertise in securities and corporate practice includes preparing complex private and public securities offerings for alternative investment platforms for clients throughout the United States and abroad. Geraci has a seasoned cannabis practice and has been publishing on the industry since 2017.

Marin Financing Summary



**Specialty Secured Lending to
a Rapid Growth Industry**

**Principal Secured by
Tangible Assets**

**Short Term Lending – Rapid
Return of Capital**

Limited Competition

**Fully Licensed California
Lender**

Offering Summary

- ✓ Marin Finance Fund L.P.
- ✓ Minimum Initial Investment: \$100,000
- ✓ Initial Lock Up: 18 Months, Quarterly Thereafter
- ✓ Minimum Targeted Net Returns 15+%
 - Mid-teens cash yield, plus unknown upside in equity participation of portfolio companies
- ✓ Monthly and Quarterly Interest Cash Flows
- ✓ Fees: 1% of Principal invested, 25% of Profits



Active Pipeline

Deal Size	Company Description	Loan Type	Annualized Coupon	Warrants
\$5-30mm (\$1-2mm participation)	Vertically Integrated (Public)	18 Month Term Loan	15%	Yes
\$1-2mm	Cultivation and Distribution	3 Month Bridge Loan	24%	Yes
\$500 - \$750k	Distribution	6 Month Term Loan	24%	Yes
\$1-2mm	Distribution subsidiary of a vertically integrated company	3 Month AR/Inventory Loan	24-28%	No
\$750k - \$1.5mm	Cultivation, Manufacturing and Distribution	6 Month Term Loan	20-24%	Yes
\$750k - \$1.5mm	Distribution	6 Month Term Loan	18-24%	Yes
\$1 - \$2mm	Distribution (Public)	18 Month Term Loan	15%	Yes

| Appendix

| Executive Biographies

Peter Luber - Managing Partner

Mr. Luber was a co-founder and portfolio manager at Post Street Capital Management, a long/short equity hedge fund from 2013-2015. Previously, Mr. Luber was an analyst and a portfolio manager at Weintraub Capital Management in San Francisco from 2002 to 2012. At WCM, Peter managed a portfolio focusing on the financial services, energy and industrial sectors. Prior to WCM, Peter was an Associate with Chase Securities, Inc. in their High Yield Corporate Finance Group. At Chase, Peter focused on underwriting and analyzing the debt associated with acquisitions, recapitalizations and capital investment. Peter received his B.A. in economics from Colby College and his MBA from the University of California Berkeley Haas School of Business.

T.J. Leverte - Managing Partner

Mr. Leverte was a Managing Director of Saxa Capital Partners LLC, an asset based lender providing short-term bridge financing. Mr. Leverte was formerly a founder and portfolio manager at PCO Capital Management (a long/short hedge fund) from 2013-2016 where he invested in various industries. Prior to working at PCO, Mr. Leverte worked at Talkot Capital LLC where he served as Co-Portfolio Manager for the Talkot Fund L.P. Before joining Talkot in 2006, Mr. Leverte worked as an Analyst for Five Corners Partners L.P., an investment partnership. Mr. Leverte worked for Prudential Securities in New York and San Francisco where he worked in the Institutional Fixed Income Division.

| Case Study - Northern California Integrated Company

\$600,000 Loan to a Fully Licensed and Integrated California Operator

- **Use of Funds:** Provide short term capital to bridge first revenue and working capital needs
- **Rate Structure:**
 - **Bridge Loan** : 5.00% per month until inventory + receivables > face value of loan
 - **Inventory Loan** : 3.50% per month if inventory + receivables > face value of loan
 - **Receivables Loan** : 2.75% per month if receivables > face value of loan
- **Loan Characteristics:**
 - Collateral: All present and future assets including equipment and inventory
 - Parent guarantee with > \$4 million of cash on the balance sheet
 - 3 month loan with a 3 month option that is approved by the borrower
 - Personal guarantees of asset liquidation in case of default
 - 1st month interest prepaid

Expected net return to investor for 6 months = 15.75% (31.5% annualized)

| Case Study - Continued

✓ **Company Characteristics**

- Strong management team with senior executives possessing C-level public company and start-up to IPO experience. Proven cultivation and distribution expertise with 5 successful operating facilities.
- Loan level entity revenue of \$16mm and \$7-8mm of EBITDA.
- \$10mm of preferred equity support.

✓ **Strong Credit Metrics**

- Loan/Equity = 6%
- Debt/EBITDA = .08x
 - Principal covered 12.5x by cashflow
- Collateral coverage = 9.2x
- Inventory underwritten at \$1800/LB - current market price = \$2100/LB

✓ **Due Diligence Process**

- Multiple on site inspections
- License verification
- EIN and articles of incorporation verification
- Customer calls

| Regulatory and Banking Environment

- ✓ **Cannabis is illegal at the federal level and categorized as a Schedule I drug.**
 - Legislation to end federal prohibition has been proposed in Congress
- ✓ **Commercial banks risk potential legal action by accepting cannabis generated deposits due to higher levels of regulatory compliance.**
- ✓ **Legal guidelines have protected the industry from federal prosecution.**
 - The Cole Memo.
 - The Rohrabacher – Farr Amendment.
- ✓ **Federal bipartisan legislation to enable cannabis banking is active in congress.**
 - Merkley and Murkowski's bill - the SAFE Banking Act.
 - The STATES Act.

Recent Legislation

Cole Memo* (2013)	Federal Spending Bill (2014)	USA vs MAMM (Marin Alliance for Medical Marijuana) (2015)	Farm Bill 2018
The memo indicated that prosecutors and law enforcement should focus only on the specific priorities related to state-legal cannabis operations.	Sponsored by Reps. Dana Rohrabacher (R-Calif.) and Sam Farr (D-Calif.) known as the Rohrabacher – Farr Amendment.	Favorable Superior Court judgement that reinforced the Federal Spending Bill must be respected by the DOJ and DEA.	Nationally Legalized hemp and legally produced industrial hemp CBD derived products.
Directs US attorneys to not focus federal resources on individuals whose actions are in clear and unambiguous compliance with existing cannabis laws.	Prohibits DOJ and DEA from using Federal funds to prosecute State Law compliant Cannabis businesses.	MAMM reinforced the Federal Spending Bill (2014) that prohibits the DOJ from prosecuting State compliant operators.	The regulation defines hemp as an agricultural product

*In January 2018 Attorney General Jeff sessions rescinded the Cole Memo

| Proposed Legislation - The SAFE Banking Act

✓ The SAFE Banking Act

- 20 co-sponsors in the Senate. A House version of the bill has 158 co-sponsors.
- Legislation would prohibit a federal banking regulator from:
 - Terminating or limiting the deposit insurance solely because the institution provides financial services to a legitimate marijuana-related business;
 - Prohibiting or otherwise discouraging a depository institution from offering financial services to a cannabis business;
 - Recommending, incentivizing, or encouraging a depository institution not to offer financial services to an account holder solely because the account holder is affiliated with a cannabis business; or
 - Taking any adverse or corrective supervisory action on a loan made to a person solely because the person is anyway associated with a legal cannabis enterprise.
- **The House Financial Services Committee approved the Act by 45–15 on March 28th, 2019.** The bill will now move to the House of Representatives.

| Proposed Legislation - The STATES Act

- Introduced by Senators Gardner (D-CO) and Warren (D-Mass) - The bill will Strengthen the Tenth Amendment Through Entrusting States aiming to amend the Controlled Substances Act (CSA) to exempt state-legal marijuana activity from its provisions.
- The STATES Act would have 3 basic principles:
 - **Risk of Federal Prosecution Removed.** Exemption from the provisions of the CSA pertaining to cannabis. US operators in compliance with applicable state laws would no longer be contravening federal laws, thus removing the risk of federal prosecution for illegal activities.
 - **Cannabis Becomes De-facto Legal in Certain States**
 - **Increased Banking Access.** The act also specifies that compliant transactions are not trafficking and do not result in proceeds of an unlawful activity.