



WGD OPPORTUNITY FUND

Approaching Final Close

We are excited to share that the final close for the WGD Opportunity Fund (the “Fund”) is scheduled for mid-April. Since we have spoken with you in the past about an investment in our Fund, we are reaching out to provide an update on our current activities and invite you to participate as an investor (or to increase your commitment) in our existing and expanding portfolio of cannabis related growth investments.

As the legal cannabis industry continues to evolve there is a narrowing window of opportunity to fund, partner and help grow market-leading businesses. Within a few years, as the trend towards US federal legalization of cannabis under the Biden administration is realized, a rush of liquidity events will occur, benefiting these established market leaders. We believe the Fund is well positioned to capitalize on this opportunity.

Background

As a little background and a quick update, we completed the initial close of the Fund in Q4 2019 and have since made three investments. We are actively looking at new investment opportunities with several companies in due diligence and early term sheet negotiations. We have also continued to raise capital for the Fund – both from new investors referred to us by existing limited partners as well as from several limited partners who have chosen to increase their commitments.

Current Portfolio

As noted above, the Fund has invested in three companies each serving the cannabis sector.

The Blinc Group is a full-service vaporizer hardware solutions company, based in New York, mainly serving middle-market and enterprise customers in the US and Canada. Blinc designs, sources raw materials, and oversees the manufacturing and assembly process of cannabis vaporizer cartridges and devices to high technical standards. Blinc is known for their high quality, thoroughly transparent supply chain, and adherence to the highest safety standards.

Elevated Signals, based in Vancouver, BC, provides production management software for cannabis cultivators and processors. They provide “need-to-have” software which customers implement to maintain compliance with regulatory requirements and pass Canadian (Health Canada) audits. Like some other SaaS software vendors, their business model features strong recurring revenue streams with high margins, sticky software with low customer churn, and low capital intensity.

Treez is a California based point-of-sale (POS) software and payments solution platform for cannabis retailers. Treez is a market leader, with over \$2 billion of annualized gross merchandise value (GMV) flowing through its platform. In addition to serving a growing number of customers in its existing markets of California, Arizona, and Michigan, the company will be entering Maryland,

Colorado, Massachusetts, Montana, Oregon, and Nevada this year. Treez also has a growing payments platform which leverages its POS solution, positioning Treez to capture an increasing portion of the GMV flowing through its platform.

In addition to our existing portfolio, we would be happy to share more about our investment pipeline directly with you.

Market Outlook

Demand for cannabis and cannabis products in the legal market steadily increased in 2020. Nine states more than doubled their 2019 sales and data analyzed by Leafly shows that nationwide cannabis sales increased by 67% to \$17.9 billion compared to 2019's \$10.7 billion. Five additional states (including New Jersey) voted to legalize cannabis in the November elections. Cannabis is now legal for adult-use in 15 states and for medical use in 34 states. We expect these numbers to continue to grow as New York and other north-eastern states are expected to legalize in the coming year or two.

With a new administration, there is renewed optimism that some form of legalization will occur in the US in the next couple of years:

- The MORE Act, originally sponsored by Vice President Kamala Harris, passed a vote in the House in late 2020, and is expected to progress to the Senate. The MORE Act decriminalizes marijuana, removes it from the list of scheduled substances under the Controlled Substances Act and eliminates criminal penalties for individuals who manufacture, distribute, or possess marijuana.
- The SAFE Act, which protects banks and insurers from federal punishment for doing business with cannabis-related firms, may also achieve progress.
- In January 2021, Senator Schumer joined with two other senators to announce that a comprehensive reform bill will be introduced in the early part of 2021.

That being said, changes like this do not happen overnight. We expect some form of these legislations to pass in 2022 or 2023, though likely prior to the midterm elections. While no one in the industry hopes for any delay, the extra time allows young companies to gain critical mass and become increasingly attractive acquisition candidates.

In Canada, the market continues to evolve positively. Monthly sales of adult use cannabis were C\$146 million in December 2019 and have grown to C\$298 million in December 2020. The increase is largely based on the fast pace of store openings in Ontario where roughly 400 retail outlets opened in 2020. Additionally, in late 2020 legal cannabis sales in Canada for the first time eclipsed black-market sales. The Canadian adult use market is expected to roughly double again in 2021. Meanwhile the Canadian medical market has remained steady at a run rate of C\$600 million per year.

Unique Window of Opportunity

Overall, we anticipate an improving economic and political climate in 2021. The legal cannabis industry continues to evolve and expand and there is a narrowing window of opportunity to fund, partner and help grow market-leading businesses. Within the short- and mid-term, as the trend towards federal legalization of cannabis under the Biden administration is realized, a rush of liquidity events will occur, benefiting these established market leaders.

We invite you to join us on this journey. We are available to answer any questions you have so please reach out.

All the best for 2021!

.....

March 15, 2021

About WGD

The WGD Opportunity Fund, L.P. was formed by to capitalize on the rapidly evolving and expanding legal cannabis industry. The Fund is uniquely positioned to support market-leading businesses while mitigating risk through professional management, diversification, structured investments, and corporate governance. The Fund is strategically located in key cannabis, technology, and capital market locations, with offices in Palo Alto, Vancouver, and Tel Aviv.

WGD Capital is an offshoot of WGD Partners, a San Francisco Bay Area-based financial advisory firm focused on providing tailored financial services to emerging and middle-market growth companies, including syndicating investment/capital-raising opportunities, mergers and acquisitions, and other financial advisory and corporate development services in the technology and legal cannabis sectors.

This communication is not intended to constitute any offer or solicitation to buy or sell securities. Offers of securities or investment advisory services may be made only pursuant to appropriate offering or other disclosure documents, and only after prospective investors have had the opportunity to discuss all matters concerning the prospective investment or engagement with their adviser or the issuers of the securities. Past performance is not indicative of future results. This communication is confidential and intended only for the addressee. If you are not the intended recipient, you may not copy, disclose, or distribute this message to anyone else; any such actions may be unlawful. If you have received this communication in error, please contact the sender of the message.

Copyright © 2021 WGD Capital, L.P., All rights reserved.

