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CORPORATE PARTICIPANTS

Alan D. Gold *Innovative Industrial Properties, Inc. - Executive Chairman*

Brian J. Wolfe *Innovative Industrial Properties, Inc. - VP, General Counsel & Company Secretary*

Catherine Hastings *Innovative Industrial Properties, Inc. - CFO, CAO & Treasurer*

Paul E. Smithers *Innovative Industrial Properties, Inc. - President, CEO & Director*

CONFERENCE CALL PARTICIPANTS

John James Massocca *Ladenburg Thalmann & Co. Inc., Research Division - Associate*

William Thomas Catherwood *BTIG, LLC, Research Division - Director*

PRESENTATION

Operator

Good afternoon, and welcome to the Innovative Industrial Properties Quarter 4 2018 Earnings Call. (Operator Instructions) Please note, this event is being recorded.

I would now like to turn the conference over to Brian Wolfe. Please go ahead.

Brian J. Wolfe - *Innovative Industrial Properties, Inc. - VP, General Counsel & Company Secretary*

Thank you for joining the call. Presenting today are Alan Gold, Executive Chairman; Paul Smithers, President and Chief Executive Officer; and Catherine Hastings, Chief Financial Officer.

Before we begin, I'd like to remind everyone that statements made during today's conference call may be deemed forward-looking statements within the meaning of the safe harbor of the Private Securities Litigation Reform Act of 1995, and actual results may differ materially due to a variety of risks, uncertainties and other factors. For a detailed discussion of some of the ongoing risks and uncertainties of the company's business, I refer you to the news release issued yesterday and filed with the SEC on Form 8-K as well as the company's reports filed periodically with the SEC. The company disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

Before I hand the call over to Alan, I want to mention that we have limited time for the call today, but we will answer as many questions as we can after our prepared remarks. Alan?

Alan D. Gold - *Innovative Industrial Properties, Inc. - Executive Chairman*

Thank you, Brian, and welcome, everyone. Today, we get a chance to review and share our financial results for the fourth quarter and the full year of 2018. We will also provide our updated perspective on our business and the industry from our last call in August.

Now 2018 was a great year overall. We executed on our business plan with strong acquisitions and successful capital-raising transactions. And now that momentum continues in 2019. Also, 2018 just our second full year of operations since completing our IPO and only 2 years since purchasing our first property in 2016.

The company has made tremendous strides in 2018. To recap briefly, we acquired 6 properties in 5 new states, which included both follow-on transactions with our tenant partners to facilitate their continued expansion and created new tenant relationships. We see that momentum



continuing in 2019, acquiring our first property in California and executing another transaction with PharmaCann in Ohio. Catherine will discuss our recent acquisitions in more detail.

As of today, we own 13 properties in 11 states, totaling approximately 1,128,000 square feet, which are 100% leased on a long-term basis to high-quality, licensed medical-use cannabis operators. Our current blended yield on these properties is 15.1%, with each lease providing minimum annual rental escalations ranging from 3% to 4%, with a weighted average remaining lease term of over 14 years. In addition, we declared our seventh consecutive quarterly common stock dividend of \$0.35 per share to stockholders of record as of December 31, 2018, having generated \$0.38 per diluted share and adjusted funds from operations in the fourth quarter. And we have followed that up with an announcement earlier this week, declaring our eighth consecutive quarterly dividend of \$0.45 per share to stockholders of record as of March 29, 2019, representing a nearly 30% increase from the prior quarter, and a testament to our property portfolio's operating performance and confidence in our pipeline of acquisitions. To reiterate, truly a remarkable track record for such a young company. Now Catherine will provide more detail regarding our financial results.

The medical-use cannabis industry is one of the most dynamic growth industries in current times, and Paul will provide some detail on industry and regulatory trends in our call today. We continue to be very optimistic about the future of this nascent industry and our ability to deliver results for our stakeholders and enduring value to our tenant partners by providing tailored real estate solutions that meet key operational and capital needs.

With that, I'd like to turn the call over to Paul. Paul?

Paul E. Smithers - *Innovative Industrial Properties, Inc. - President, CEO & Director*

Thanks, Alan. As with prior calls, we'll try to provide as effective an overview as we can with the short time we have today, focusing in on 3 main topics. One, the current regulatory environment. Two, the growth and evolution of the medical-use cannabis markets in the United States generally. And three, recent developments in our state markets.

First, regarding the current federal regulatory environment. Of course, cannabis remains a Schedule 1 controlled substance, which generally prohibits all cannabis use and cannabis-related commercial activity in the United States. That said, Congress has continued to enact spending bills since 2014 with a provision that has been interpreted by courts as preventing the Department of Justice from using funds to interfere with the implementation of state medical-use cannabis laws. That provision was again included in this year's congressional spending bill passed earlier this year which carries through to September 30. In addition, there have been numerous other initiatives taken by Congress, including the establishment of the bipartisan Congressional Cannabis Caucus in 2017 and the introduction of a number of bills in Congress in favor of various forms of cannabis legalization at the federal level. As we indicated on our prior call, we are monitoring all of these developments closely, including the recent bipartisan bill introduced by Senators Gardner and Warren in June of last year, which gives priority to state's rights and state licensed and regulated cannabis activities. Also noteworthy, a subcommittee of the House Financial Services Committee held hearings just last month regarding banking services for the industry and appears to be actively planning to vote on a cannabis banking bill in the coming months. These are a few of the many continued steps forward that we are seeing at various levels of government, which we view also to be in direct alignment with the will of the people of the United States.

On to a general update of the medical-use cannabis markets nationwide, the industry continues to move forward with tremendous velocity. 33 states have legalized medical-use cannabis by popular vote or legislative process, where a large majority of the United States population resides. Medical-use cannabis continues to poll year after year with 90% plus popular support in the United States, and the regulated cannabis industry is expected to continue to be a leading driver for U.S. jobs and tax revenues. In fact, recent estimates by ArcView project the regulated cannabis market in the United States alone to go to over \$22 billion by 2022.

And now for a brief update on developments in the markets where we own properties, which has now become a pretty long list: New York, Massachusetts, California, Illinois, Arizona, Maryland, Michigan, Colorado, Pennsylvania, Ohio and Minnesota.



New York. As a reminder, we have owned 2 properties in New York since 2016 and 2017, which are leased on a long-term basis to 2 multistate operators, PharmaCann and Vireo. As we have noted in past calls, New York's medical-use cannabis program has initially rolled out, had been described by many as one of the most restrictive and highly regulated. In response, and in order to enable broader access to treatment, New York has taken several positive steps over time. These steps include expansion of the pool of potential recommending health professionals, expansion of the types of products that can be manufactured and distributed, streamlining the registration process and expansion of the list of qualifying medical conditions, most notably for chronic pain and PTSD, and in July 2018, cannabis as an opioid alternative.

Patient count continues to accelerate as a result, with growth from 64,000 certified patients reported in our last call to 92,000 patients as of late February.

Regarding potential adult-use legalization in New York. After a thoughtful recommendation from the New York Department of Health was publicly released in summer of last year. Governor Cuomo is quoted as remaining confident that the state legislature would vote to legalize adult-use cannabis as part of the state budget, which is due April 1. We will continue to monitor this and other developments across the states where we operate.

Massachusetts. We own 2 properties in Massachusetts, which we acquired in 2018 and which are leased to Holistic Industries and PharmaCann. We are thrilled to be working with these 2 experienced operators in a very dynamic state with tremendous potential. As of early 2019, there were nearly 60,000 active patients in the medical cannabis program and over 65,000 active health care provider certifications. As we mentioned on our last call, Massachusetts voters approved the legalization of adult-use cannabis in 2016 and first licenses for adult-use cannabis operators began to be issued in the summer of 2018. 2018 ended with just a handful of licensed and operational adult-use cannabis dispensaries, but industry participants expect that number to accelerate significantly in 2019.

Now onto California, where we own 1 property purchased earlier this year. California was the first state to permit the use of cannabis for medicinal purposes, adopting the Compassionate Care Act in 1996. In November of 2016, California voters approved the Adult Use of Marijuana Act, permitting the sale of cannabis for adult use, with first licenses issued in 2018. With 40 million people, ArcView expects California's regulated cannabis spending to grow to \$5.6 billion in 2022, just modestly below the entire estimated 2022 market for all of Canada. California's licensing program has been delayed significantly and there have been challenges as the state rolls out this new program. That said, we are thrilled to finally be in California and to be working with our operator in Sacramento, who is also one of the first operators to receive its permanent adult-use and medical-use cannabis retailer license in the state.

Illinois. Similar to New York's evolution, Illinois' program, as initially rolled out, was highly restrictive, resulting in subdued growth for some time. That said, in early 2019, the state regulatory authorities launched the Opioid Alternative Pilot program, which allows access to medical cannabis for individuals who have or could receive a prescription for opioids as certified by a doctor. These new rules also eliminated the requirements for fingerprints and background checks. These steps, along with other loosening of restrictions in the market, have led to strongly accelerating patient growth in the regulated market in 2018 and continuing into 2019. In addition, the new Governor of Illinois, J.B. Pritzker, is strongly in support of legalizing adult-use cannabis, and the Illinois Economic Policy Institute issued a report in late 2018 in support of legalization, citing a large majority of voter support, job creation, much-needed tax revenues and the impact a regulated market will have on reducing the illicit market's footprint.

Now on to Arizona, where we own 1 property purchased in late 2017. As we mentioned before, Arizona's medical-use cannabis program is further along in its maturity, having commenced medical-use cannabis sales in 2010. According to the Arizona Department of Health Services, there are nearly 190,000 qualifying patients in Arizona's medical cannabis program as of January 2019, continuing a strong pace of growth. Medical cannabis sales themselves grew by 41% from 2017 to 2018, outpacing the growth of the patient pool by 2:1.

Maryland. We purchased our property in Capitol Heights Maryland in 2017. Although the first dispensaries were opened only in late 2017 and Maryland has had just 1 full year of operations as a result, there were nearly 90,000 registered patients and 60,000 certified patients for the program as of late February, providing a glimpse into the tremendous patient demand in the state.

Michigan. In Michigan, we closed on our property in 2018 and development was completed earlier this year. Michigan is one of the largest medical cannabis markets in the United States. Although the Michigan Marijuana Act was passed in 2008, the industry has operated as a highly permissive



system, somewhat similar to how California's system had operated historically. Recent laws have created a licensing framework for medical cannabis operators, and the Bureau of Medical Marijuana Regulation began its pre-approvals just in mid-2018. Michigan residents also voted in November of 2016 to legalize adult-use cannabis, with licensing of operators not expected for another year. Taking into consideration all of the dynamics of the Michigan market, ArcView expects Michigan's regulated cannabis market to continue to grow at a healthy pace, reaching nearly \$1.4 billion by 2022.

Colorado. We entered the Colorado market late last year with our acquisition of a property in the Denver area and leased to The Green Solution, which Catherine will discuss in more detail. Colorado was one of the pioneers in the regulated cannabis industry, rolling out its adult-use cannabis program in 2014. Colorado's market is expected to reach approximately \$2 billion by 2022 according to ArcView.

Pennsylvania. In Pennsylvania, we closed on our property in April of last year. Pennsylvania enacted medical-use cannabis legislation in May of 2016 and dispensaries made their first sales in February of last year. 12 grower/processor licenses were issued in the first phase of this program, including the license to Vireo Health at our property, with a total of 25 grower/processor licenses potentially issuable pursuant to the legislation. In just the first year alone since opening for patients, as of October of last year, the Department of Health's registry had more than 80,000 applicants in its registry, with over 50,000 approved to receive medical cannabis through dispensaries.

Ohio. In Ohio, we closed on our property with PharmaCann just last week. Ohio was the earliest stage -- state where we owned property, having kicked off sales at dispensaries just in mid-January of this year, with the state's registry opening for patients late last year. In only a few years however, ArcView estimates Ohio's medical cannabis sales to grow to nearly \$300 million by 2022.

And finally, Minnesota. We have acquired our Minnesota property in 2017. As we mentioned on our last call, our tenant, Vireo, is one of only 2 licensed medical cannabis operators in the entire state of Minnesota, with each operator also operating 4 dispensaries. While a smaller market that began medical cannabis sales in mid-2015, registered medical cannabis patients in Minnesota have experienced significant and accelerating growth, from less than 2,000 for much of 2016 to nearly 12,000 by the end of 2018. Similar to New York, Minnesota's medical cannabis program was initially rolled out as a highly regulated and restricted program, but has gradually expanded the program for treatment of additional medical conditions, including intractable pain and PTSD, autism spectrum disorders and sleep apnea, and most recently, in December of last year, Alzheimer's disease.

I'll now turn the call over to Catherine, who will walk you through our recent acquisitions, capital-raising activity and financial results for the fourth quarter and full year 2018. Catherine?

Catherine Hastings - *Innovative Industrial Properties, Inc. - CFO, CAO & Treasurer*

Thanks, Paul. On the acquisitions front, as Alan mentioned, we continue to execute well on our strategy. During 2018, we acquired 6 new additional properties in 5 new states and followed this up with our first acquisition in the California market earlier this year. Our leases at these properties are a mixture of high-quality new tenants and follow-on transactions with our existing tenants as they continue to grow their footprints in additional states. As of today, we own 13 properties across 11 states, representing approximately 1,128,000 square feet, including approximately 159,000 square feet under development or redevelopment.

As it relates to the fourth quarter acquisition activities specifically, in October, we acquired a 58,000 square foot industrial facility in Colorado for approximately \$11.3 million and entered into a long-term triple-net lease with The Green Solution, an experienced operator in the Colorado market with 17 dispensary locations. In December, we acquired a 75,000 square foot medical-use cannabis cultivation and processing facility in Illinois and entered into a long-term lease with Ascend Wellness. We purchased the property for \$19 million and expect to provide Ascend with up to \$6 million for additional capital for tenant improvements at the property, bringing our total investment in the property to \$25 million. Ascend Wellness is a multistate operator currently focused in Massachusetts, Illinois, Michigan and Ohio. And just last month, raised an additional \$55 million of capital from investors to support its ongoing expansion initiatives.

In December, we amended our leases with Vireo in Minnesota, New York and Pennsylvania to provide an additional \$5 million in total for Vireo to make additional tenant improvements at these properties, as Vireo continues to expand its operations in each of those states. As shortly after quarter-end, we acquired a 43,000 square foot industrial property in California and entered into a long-term lease with an experienced operator,

which is expected to complete redevelopment of the property later this year. Our total investment in this property is expected to be \$11.5 million, which includes reimbursement for an agreed-upon amount of the redevelopment costs and marks our first acquisition in the California regulated cannabis market, a market that's expected to grow in size to rival that of Canada in its entirety. And just last week, we executed on a follow-on transaction with PharmaCann for ground-up construction of an industrial greenhouse facility, expected to comprise 58,000 square feet in the aggregate, upon completion, entering into a long-term lease and development agreement, under which we expect our aggregate investment in the property to be \$20 million.

Turning to our finance activities. In October 2018, we completed a follow-on public offering of common stock, raising net proceeds of about \$114 million. And just last month, closed on a private offering of exchangeable senior notes, raising over \$138 million in net proceeds. We are truly grateful for all of our stakeholders' continued support, and we are singularly focused on investing the proceeds from those offerings with the best tenants.

And now onto our results for the fourth quarter and full year 2018, with 2018 just representing our second full year of operations. We had rental revenues of \$4.7 million in the fourth quarter of 2018 and \$14.3 million for the full year 2018. As we noted previously, rent for our property underdevelopment with PharmaCann in Massachusetts that we acquired in May, was abated in full until November 30. And rent for our property underdevelopment with Green Peak in Michigan that we acquired in August was deferred until the beginning of November 2018. In addition, of course, our leases with the Green Solution and Ascend and lease amendments with Vireo were completed during the fourth quarter, and our California and Ohio leases commenced subsequent to quarter-end. So our results for the quarter include only partial rent from The Green Solution, PharmaCann Massachusetts, Ascend and the Vireo amendments and no rent from our California or Ohio leases.

As a reminder, we recognize rental revenue for all of our leases on a cash basis. Notwithstanding all of this, our Q4 rental revenues grew 111% from Q4 of 2017. For the 3 months ended December 31, 2018, we recorded net income of \$2.3 million. Funds from operations, which adds back property depreciation to net income, was \$3.2 million. And adjusted funds from operations, which adds back noncash stock-based compensation expense, was \$3.6 million. Adjusted funds from operations for Q4 grew 344% from the prior year's fourth quarter. For the full year 2018, we recorded net income of \$5.6 million, funds from operations of \$8.3 million and adjusted funds from operations of \$9.7 million. As Alan mentioned, on January 15, we paid our seventh consecutive quarterly dividend of \$0.35 per share to common stockholders of record as of December 31. And on March 12, we declared our eighth consecutive quarterly dividend of \$0.45 per share, which we expect to pay on April 15. The Q1 2019 common stock dividend reflects a nearly 30% increase from the prior quarter and an 80% increase from the prior year's first quarter. Again, a reflection of our strong growth and operational performance over the past year and our confidence in our acquisition pipeline.

And with that, I'll turn it back to Alan. Alan?

Alan D. Gold - *Innovative Industrial Properties, Inc. - Executive Chairman*

Thanks, Catherine. We had a very eventful second year for our acquisitions, continued growth and continued execution on our strategy. We are excited about the opportunities to come. I want to thank our stockholders for your continued support. And we look forward to continuing to execute on our exciting business model by servicing this very promising industry as a long-term real estate and capital provider and to create sustainable long-term value for our stockholders.

With that, I'd like to open it up for questions. Operator, could you please open the call up for questions?

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) The first question comes from Tom Catherwood from BTIG.

William Thomas Catherwood - *BTIG, LLC, Research Division - Director*

So maybe starting off, can you speak a bit about the opportunity set for external investments that you see. Are these opportunities primarily in new markets? Are they in states where you currently have operations? And how does the, kind of, pipeline today compare to recent quarters?

Alan D. Gold - *Innovative Industrial Properties, Inc. - Executive Chairman*

Okay, well, so this is Alan Gold speaking. I think we have a very -- an extremely strong pipeline, one that has assets in, as I look, it over -- all of our current states. We still look to penetrate new states, such as Florida, which we have not yet been able to make an acquisition in Florida. We have about \$47 million of transactions under contract. We have over 40 -- or just under \$40 million of transactions under letter of intent. We have another \$10 million in final negotiation. We have a very strong and growing pipeline beyond that, with very strong tenants. And I think our yields remain straight down the middle in all of our transactions, with yield ranging anywhere from 12% to -- in our pipeline up to 15-plus percent. Averaging. Our yields are probably averaging around that 13%, a little bit over 13%.

William Thomas Catherwood - *BTIG, LLC, Research Division - Director*

Got it. That's real helpful, Alan. And as you're kind of looking at that pipeline, are there any, I guess, call it, themes that come through? What I mean, are they more operating assets where someone is capitalizing? Are they more ground-up developments? Is it kind of leaning one way or the other?

Alan D. Gold - *Innovative Industrial Properties, Inc. - Executive Chairman*

I mean, I think we are seeing more -- slightly more ground-up development or redevelopment-type opportunities than we have seen in the past, which is exciting because these are obviously new higher-quality facilities that have long-term use for them. We're -- but we're very excited about the quality of the assets and the quality of the locations. And certainly, the growers continue to be some of the best in the country, and we continue to have demand from our existing growers for additional capital.

William Thomas Catherwood - *BTIG, LLC, Research Division - Director*

Got it. And then maybe one for Paul. When you went through your states, New York obviously jumps out as being highly regulated. Illinois jumps out as being highly regulated. As both of these states consider recreational legalization, do the medical cannabis operators need the recreational side of the business in those states in order to be profitable? Or if they were to remain medical for a while, can they still make it work? Is there some necessity there?

Paul E. Smithers - *Innovative Industrial Properties, Inc. - President, CEO & Director*

No, Tom, I don't think there's a necessity. But if we look at historically what's going on, we look at Colorado, who's had the dual program. And we've seen medical producers in Colorado continue with just the medical program and be very successful, and have the market continue to grow. But as far as New York and Illinois, as we've mentioned in the past, if our medical growers, who maintain the medical license, choose to enter into the recreational market, there's nothing in our lease that prohibits that. So we'll leave that up to our growers, if they feel it's in their best interest to do a dual license and enter into the rec market, we do nothing to stop that.

William Thomas Catherwood - *BTIG, LLC, Research Division - Director*

Got it. Got it. And then maybe one last one, if I could, just a little question I had. On the release yesterday, was good -- it was good to see the multiparty agreement with PharmaCann and MedMen yesterday. One of the things that jumped out is that you guys -- if the deal goes through and MedMen takes over the leases there, you guys could subordinate rights for a contemplated financing. What is the idea behind that structure?



Alan D. Gold - *Innovative Industrial Properties, Inc. - Executive Chairman*

So I think what it is, is -- and we're not subordinating any of our rights, it's that we are being flexible to allow -- to help PharmaCann with their -- and MedMen with their acquisition of the PharmaCann transaction. What it -- what we do have in there is that in event that there is an issue with the transferability of any sort of license that we have the ability to choose our own fate and either work with PharmaCann or if they decided that they can't make that acquisition, that they can then sell the license to another grower or to another -- yes, to another entity and we, again, have the issue -- the opportunity to decide to work with them or not.

Catherine Hastings - *Innovative Industrial Properties, Inc. - CFO, CAO & Treasurer*

And there is a restriction in Ohio that limited the transfer of the license for a year. They had to be in operation for a year. And so this protects us for that issue.

Alan D. Gold - *Innovative Industrial Properties, Inc. - Executive Chairman*

Exactly.

Operator

(Operator Instructions) Our next question comes from John Massocca from Ladenburg Thalmann.

John James Massocca - *Ladenburg Thalmann & Co. Inc., Research Division - Associate*

So how has the competitive environment for acquisitions changed recently, if at all? And then maybe beyond that, do you think the passage or a potential passage of something like the STATES Act or any legislation that might open up access to greater kind of banking services could also result in maybe greater access to competing capital and could that pressure cap rates? I mean, is that something you're seeing at all as you look out in the market? Or is it still pretty -- does it appear like people kind of think it's going to be a tight market for capital raising on the operator side for the foreseeable future?

Alan D. Gold - *Innovative Industrial Properties, Inc. - Executive Chairman*

Well, as you know, the capital markets are fluid markets and they change over time. But -- so sometimes, there is access to capital and other times, it's more difficult for our growers. I mean, we do believe and we have seen competition and increased discussion of competition out there. There is -- the Treehouse REIT did -- was able to complete a financing, which -- and they were able to -- and are they're able to -- are out looking at acquiring transactions, primarily in the retail side. There are others such as the Inception REIT that is -- that are still raising capital. And while they're doing that, they are looking to tie up transactions. All that being said, we think we have a very strong position. We have been able to continue to place capital at very strong yields. And as we've been describing, we've been able to place that -- those yield -- those transactions and yields ranging from 12% to 15%. We think that the primary competition that we see for our capital is the growers' ability to find alternative capital and that's through raising capital on -- in Canada or raising capital with private -- through friends and family, private equity or family offices. And that cost of capital has remained fairly consistent as being very expensive. So we continue to see tremendous demand for our -- for what we -- for our capital and our program.



John James Massocca - *Ladenburg Thalmann & Co. Inc., Research Division - Associate*

Okay. And then thinking maybe specifically about the STATES Act. I know, it's obviously very fluid as to what final legislation would be. But I mean, both in terms of maybe for operators but also for you guess, I mean, would that open up mortgage financing? Or is that something you still think would take time and maybe other -- rolling back of other regulations to open that market up?

Paul E. Smithers - *Innovative Industrial Properties, Inc. - President, CEO & Director*

Yes, John, this is Paul. So we -- obviously, keeping an eye on the STATES Act and how it's being revised. But one thing we -- that's consistent through the proposed legislation is it's not rescheduling cannabis. So regardless of whether the bill passes or not in its current form, cannabis will still be prohibited at the federal level. So we think that's significant because that, we believe, will keep a lot of national institutional players still on the sidelines and they'll be hesitant to get into the market. We do think that if the STATES Act does pass, I think it'll be a real bonus for our growers. It will take some of the federal risk away. It could also provide some banking relief, which would be helpful. But whether it seriously brings new money in and -- or mortgage money, remains to be seen. But without the federal rescheduling, we think it still -- there is still going to be a lot of institutional money on the sidelines.

John James Massocca - *Ladenburg Thalmann & Co. Inc., Research Division - Associate*

Okay. And then maybe switching gears specifically to the Ohio acquisition. How long did that take to kind of develop? Is that something that's been in the works for a long period of time? And do you think there's potential for additional transactions with PharmaCann now there's a combination with MedMen coming or is this -- are they potentially going to go a different route in terms of their capital raising?

Alan D. Gold - *Innovative Industrial Properties, Inc. - Executive Chairman*

Yes. So for the first question, how long does it take a -- the asset's been in the works for -- with PharmaCann for several months. Just keep in mind, as we disclosed, the rent is a -- has a hard fixed date of commencing on May 15 of 2019. So irregardless of how long it takes to finish the project, which should be finished shortly, within a few months thereafter, the rent begins, okay? And the second part of the question?

John James Massocca - *Ladenburg Thalmann & Co. Inc., Research Division - Associate*

Just in terms of -- I think...

Alan D. Gold - *Innovative Industrial Properties, Inc. - Executive Chairman*

Additional PharmaCann, right?

John James Massocca - *Ladenburg Thalmann & Co. Inc., Research Division - Associate*

Yes, additional PharmaCann transaction. I mean, from your conversations with them as a tenant, now that MedMen is involved, I mean is that something where they're probably going to move to a different financing structure? Or are there opportunities for more deals with them?

Alan D. Gold - *Innovative Industrial Properties, Inc. - Executive Chairman*

Well, there's -- and I think the tenant concentration is something that we've been -- that we're highly focused on. This transaction brings us up to about 17% of our gross assets. And I think we're comfortable perhaps going up to maybe the 25% there or maybe a little bit higher if we had the ability to, within a short period of time, reduce that to -- back down. So there is opportunity. Now certainly, PharmaCann with the acquisition of MedMen. MedMen is in a growing and trying to grow very quickly state, and so their desire for additional capital continue to be there. We have a

very strong relationship with PharmaCann and growing relationship with the MedMen team. So we -- and we hope to maintain that over a long period of time. What I -- I guess what I'm trying to allude to is we have a very strong relationship with our growers and we like to support our growers as much as we can. And I think that's part of -- that's a hallmark of our business, our business model, and we'd like to continue to do that.

John James Massocca - *Ladenburg Thalmann & Co. Inc., Research Division - Associate*

Understood. And then one last, a quick detail question. Were the terms of the Vireo, kind of, TI transaction similar in terms of maybe rate to the initial purchase for those assets?

Alan D. Gold - *Innovative Industrial Properties, Inc. - Executive Chairman*

Yes.

Operator

This concludes our question-and-answer session. I would now like to turn the conference back over to Alan Gold for any closing remarks.

Alan D. Gold - *Innovative Industrial Properties, Inc. - Executive Chairman*

Well, thank you, operator, and once again, we'd like to thank our stockholders for your continued support. And we continue to look forward to executing on our very exciting business model. Thank you all.

Operator

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.

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