

# **FinCanna and CTI announce a win-win deal for both companies in the California cannabis market**

Yesterday FinCanna announced: “FinCanna structures new royalty agreement with Cultivation Technologies Inc. (CTI)....Further to the Agreement, FinCanna has withdrawn its foreclosure proceedings against CTI filed on May 1, 2019 in the California Superior Court for Orange County.”

This is a win-win deal for both FinCanna and CTI. Rather than a liquidation sale mop up as was the May 2019 deal, now CTI gets to continue on under new management and FinCanna gets its royalty deal. Naturally, royalty companies always prefer to see the companies they invest in succeed, so that they can collect on their royalty.

The key part of the agreement is that FinCanna is entitled to receive 10% of CTI’s top-line revenue. You can view the details of the deal [here](#).

## **Cultivation Technologies Inc. (CTI) can now expand to a bigger facility**

CTI has become a top-ranked extraction and manufacturing enterprise focusing on white-labeling services and winning numerous first-place awards for its various cannabis concentrates.

CTI is currently relocating its extraction and manufacturing operations to a new fully-licensed 5,200 sq. ft. facility in Palm Desert, CA. The new facility will include large-scale extraction, distillation and manufacturing of products such as vape oils and cartridges, distillate for edibles and topicals,

and concentrates such as diamonds, sauce, sugar and budder. The business will also provide distribution services to manufacturers, dispensaries and other distributors throughout California. Production is expected to resume immediately upon completion of the relocation.

The new facility is expected to have approximately over three-times the capacity of the former interim facility. FinCanna has agreed to provide CTI a bridge loan of up to US\$250,000 for a term of 6 months bearing an interest rate of 12% per annum. In addition, FinCanna will receive 5-year warrants to acquire 5% of CTI's full-diluted capital at the time of exercise for US\$250,000.

In case your new to FinCanna Capital Corp. (CSE: CALI | OTCQB: FNNZF), FinCanna is a royalty company for the licensed US cannabis industry, with a focus on the rapidly emerging California cannabis market. FinCanna has royalty deals with multiple Californian (and some US) cannabis related companies including ezGreen Compliance, Refined Resin Technologies Inc., QVI Inc., and now again with Cultivation Technologies Inc. (CTI).

### **FinCanna completes funding as QVI prepares for commercial production**

FinCanna recently announced they have supplied QVI Inc. with the final US\$875,000 of the agreed US\$3,000,000 royalty agreement. Additionally, FinCanna has agreed to provide QVI a working capital bridging loan for 6 months of up to US\$300,000 (at a 12%pa interest rate) to ensure a seamless transition from start-up to full production.




Under the Royalty Agreement, FinCanna will continue to receive its previously agreed tiered corporate royalty, adjusted based on revenues, ranging from 15% to 6% of QVI's total revenues, with the top royalty rate of 15% on the first US\$20 million of annual sales until cumulative royalties to FinCanna of US\$10

million is achieved.

QVI Inc. is a cannabis infused product manufacturer with a 8,300 square foot facility operating under the name “The Galley”, located in Sonoma, California. Products include baked goods, chocolate products and a hard candy and gummy line. QVI’s immediate goal is to become the premier contract manufacturer in California, the largest single market in North America. QVI will be differentiated from its peers by its automated capabilities to produce virtually all high-value cannabis products under one roof.

### **FinCanna’s highlights**

**FinCanna Highlights**

-  U.S. Focused with Emphasis on California
-  Royalty Model is Very Attractive for Operators and FinCanna
-  Diversified Investment Portfolio over Multiple Sectors
-  Early Entrant in U.S. with Extensive Network for New Projects
-  Invest in Private Companies Not Available to Individual Investors

### **FinCanna’s royalties portfolio summary**

- **QVI** – FinCanna earns a perpetual royalty ranging from 15% to 6% of QVI’s annual revenues, subject to certain buy-back options.
- **ezGreen Compliance** – FinCanna earns a perpetual royalty equal to 10% of consolidated gross revenues of ezGreen, subject funding conditions to certain buy-back options.
- **Refined Resin Technologies** – FinCanna earns a perpetual royalty ranging from 14% to 5% of Refined Resin’s consolidated annual revenues, subject to certain buy-back options.
- **Cultivation Technologies Inc. (CTI)** – FinCanna is entitled to receive 10% of CTI’s top line revenue, of which 5% is paid in cash monthly and 5% deferred, subject to certain buyback options. The accrued deferred payment will be paid out upon certain triggering events, including a change of control, an initial public offering (IPO) or certain other specified events of CTI. FinCanna would be entitled to receive 25% to 50% of the gross sales proceeds of any change of control transaction.

## **Closing comments**

For FinCanna these two significant royalty agreements should mean that both CTI and QVI make it to full production. In turn, this means FinCanna will soon begin to receive royalty paybacks on its investments into CTI and QVI. For investors this means FinCanna’s revenues should begin to ramp up as 2020 progresses.

Added to this is the very positive growth in the Californian legal cannabis market which grew from US\$2.5 billion in 2018 to ~ US\$ 3.1 billion in 2019, working out to be almost 25% growth. Given the sector was only legalized in California in 2018 the 25% growth rate should continue for some time.

FinCanna is indeed in the right place at the right time as the legal Californian cannabis industry takes off. Now that their

royalty partners are on track FinCanna should be in for a very good 2020.