

FinCanna Restructures Royalty Agreement with QVI Inc., Now in Operation at its Multi-Brand Cannabis Manufacturing Facility in Sonoma County, CA

written by Raj Shah | June 23, 2020

June 23, 2020 ([Source](#)) – *FinCanna Commits US\$1.5m. Royalty Increases to 20% of QVI's Revenues, Annual Supplemental Payment Increases to 70% of QVI's After-Tax Income and FinCanna to Receive 70% of Sales Proceeds if QVI Sold*

[FinCanna Capital Corp. \(CSE:CALI\)\(OTCQB:FNNZF\)](#) (the “Company” or “FinCanna”), a royalty company for the U.S. licensed cannabis industry, is pleased to announce that it has restructured the royalty agreement (“Restructured Royalty Agreement”) with its portfolio company QVI Inc. (“QVI”), which is now in operation at its newly opened cannabis-infused product manufacturing facility located in Sonoma County, California.

Terms of the Restructured Royalty Agreement:

- **FinCanna to provide an additional US\$1.5 million to QVI** to ensure it is sufficiently capitalized during its launch and ramp-up phases of operations and has additional working capital to maximize the significant volume of sales opportunities as it scales and reaches profitability expected in the coming months.
- **Royalty rate increases to a flat rate of 20% of QVI's revenues, paid in cash monthly.** Previously, the royalty was a tiered rate 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 decreasing to 10% once cumulative royalties of US\$10 million were achieved.

- **Annual Supplemental Payment increases to 70% of QVI's after tax-income and paid in cash every year.** This Supplemental Payment, when coupled with the royalty, will ensure that FinCanna receives a minimum of 70% of the annual after-tax net income from QVI, paid in cash every year. Previously, the Supplemental Payment was 35% of QVI's after tax-income, accrued annually and would only be paid to FinCanna upon certain triggering events such as a sale of QVI.
- **Sale Proceeds from a sale of QVI paid 70% to FinCanna and 30% to QVI shareholders.** Previously, FinCanna's share of proceeds ranged from 25% to 35%, depending on certain predetermined conditions, with the remaining 65% to 75% to QVI shareholders.
- **The previously agreed to bridge loan commitment to QVI of US\$300,000 (not funded) has been cancelled.**

Annie Holman CEO and Founder of QVI stated, "We are thrilled to be up and running. Although it has taken longer than anticipated, those hurdles are now behind us. The word is clearly out in the industry about our state-of-the-art facility and our outstanding production team. Our sales funnel is building rapidly from a growing influx of inquiries from interested brands as we continue to move quickly to onboard new customers. We also couldn't be happier with the ongoing support and commitment from the FinCanna team who continue to be excellent partners."

Andriyko Herchak CEO of FinCanna Capital said, "We are very pleased to announce that QVI is fully operational, and we continue to see sizeable escalating demand for QVI's manufacturing services. QVI has an exceptional management team,

a brand-new customized facility located in one of the best jurisdictions in California and is operating in the edibles sector, which many experts report to be the fastest growing cannabis sector in the U.S. The additional funds we're providing will enable QVI to meet its goal of becoming the premier contract manufacturer in California, the largest single market in North America, and the revised royalty agreement creates a strong win-win for QVI and FinCanna."

Like many companies in various sectors in the licensed cannabis industry in California, QVI has taken longer than initially anticipated to get into operation with delays attributed to licensing, city permitting, timing issues related to completing the construction of its facility and certain issues associated with Covid-19. QVI has succeeded passing all of these hurdles and is now in operation. These considerable regulatory challenges at both the state and municipal levels, together with the substantial capital costs required, also represent significant barriers to entry for potential future competitors of QVI. These barriers also create compelling reasons for brands to use QVI's services instead of attempting to setup or expand their own manufacturing facilities. Additionally, QVI is differentiated from its peers by its automated capabilities to produce virtually all high-value cannabis products under one roof delivering a complete co-manufacturing solution, which is highly attractive to both in-state and out-of-state brands.

FinCanna's commitment for the additional funding was contingent upon major milestones being met by QVI, which included completing the build out of its 8,300 square foot manufacturing facility, receipt of its municipal Occupancy Permit and its Manufacturing License from the California Department of Public Health and the Office of Manufactured Cannabis Safety and QVI successfully commencing operations and revenues. With all required conditions met, QVI is now fully operational and its

focus is on customer acquisition and retention, operational excellence, revenue generation and growth. QVI continues to experience very strong demand for its services.

About QVI

QVI, which stands for Quality, Value and Integrity, operates a state of the art 8,300 square foot manufacturing facility known as “The Galley” in Sonoma County, California. The facility is built to FDA and CDPH standards and is focused on high demand areas of production: Edibles, Topicals, Tinctures, Chocolates, Hard Candies, Gummies, Beverages, Vapes, Pre-Rolls and Flower Packaging. The Galley is differentiated from other contract manufacturers by its industrial scale automated capabilities to produce virtually all high-value cannabis products under one roof.

QVI’s immediate goal is to become the premier contract manufacturer in California, the largest single market in North America and, upon success, to license products nationally and globally.

About FinCanna Capital Corp.

FinCanna is a royalty company that provides growth capital to rapidly emerging private companies operating in the licensed U.S cannabis industry. The company earns its revenue from royalties paid by its investee companies that are calculated based on a percentage their total revenues.

FinCanna’s scalable royalty model provides an attractive alternative or complement to debt or equity financing for its investee companies. FinCanna is focused on delivering high-impact returns to its shareholders by way of a strategically diversified investment portfolio.

For additional information visit www.fincannacapital.com and FinCanna's profile at www.sedar.com

FinCanna Capital Corp.

Andriyko Herchak, CEO & Director

Forward-Looking Information

Information set forth in this news release may involve forward-looking statements under applicable securities laws. Forward-looking statements are statements that relate to future, not past, events. In this context, forward-looking statements often address expected future business and financial performance, and often contain words such as "anticipate", "believe", "plan", "estimate", "expect", and "intend", statements that an action or event "may", "might", "could", "should", or "will" be taken or occur, or other similar expressions. All statements, other than statements of historical fact, included herein including, without limitation, statements about the market for, and effectiveness of, QVI products or services, the ability of QVI to expand operations and generate sales, revenues, including the amount of future revenues, profits and positive cash flows, the results of operations of QVI and the timing thereof, QVI's client lists, the completion of FinCanna's investment in QVI, FinCanna's ability to fund and source future projects, and FinCanna's ability to earn and realize revenues from its investee companies. By their nature, forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements, or other future events, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, among others, the risks identified in the CSE listing statement available at www.SEDAR.com and other reports and filings with the applicable Canadian securities regulators.

Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made, and the respective companies undertake no obligation to update forward-looking statements if these beliefs, estimates and opinions or other circumstances should change, except as required by applicable securities laws. Investors are cautioned against attributing undue certainty to forward-looking statements.