FinCanna Structures New Royalty Agreement with Cultivation Technologies Inc.

written by Raj Shah | February 13, 2020

February 13, 2020 (Source) – *CTI, a Top-Ranked Licensed Cannabis Extractor and Manufacturer Relocates to New Facility with Over 3-Times Increase in Capacity Estimated at US$35m Per Year*

FinCanna Capital Corp. ("FinCanna") (CSE:CALI)(OTCQB:FNNZF) a royalty company for the U.S. licensed cannabis industry is pleased to announce that it has signed a New Royalty Agreement ("Agreement") with Cultivation Technologies, Inc. ("CTI") of Coachella, CA a top-ranked and award winning cannabis extraction and manufacturer. Further to the Agreement, FinCanna has withdrawn its foreclosure proceedings against CTI filed on May 1, 2019 in the California Superior Court for Orange County.

Agreement Highlights:

- FinCanna 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
- FinCanna will be entitled to 25% – 50% of the gross sale proceeds of any change of control
- CTI nearing completion of relocating its fully licensed extraction and manufacturing operations with production expected to recommence immediately after relocation
- New CTI location in Palm Desert expected to significantly increase efficiencies and expand capacity to estimated annual production potential of US$35 million

Under the New Royalty Agreement, FinCanna will be entitled to

receive 10% of CTI's top line revenue in perpetuity, subject to certain buyback options, of which 5% is paid in cash monthly and 5% is deferred. 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.

Additionally, FinCanna would be entitled to receive 25% to 50% of the gross sales proceeds of any change of control transaction with the final percentage to be determined according to certain predetermined parameters.

CTI commenced operations at its interim extraction facility in Coachella, CA in January 2018 and continued to operate throughout the foreclosure period with FinCanna's full support and ongoing discussions towards the best path forward. Over the past two years of operations, 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 now near completion of the relocation of its extraction and manufacturing operations from its interim site in Coachella, CA to its new permanent facility in Palm Desert, CA. This new fully-licensed 5,200 sq. ft. Palm Desert 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. All licenses and permits required for commercial operations at the new facility are in place and production is expected to resume immediately upon completion of the relocation.

The relocation to the larger Palm Desert facility will also see significant increases in efficiencies and capacity. The new facility is expected to have approximately over three-times the capacity of the former interim facility, with a new estimated annual capacity of approximately US$35 million.

To facilitate a smooth transition from the interim site in Coachella to launching production at the Palm Desert 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.

Andriyko Herchak, CEO of FinCanna Capital stated, "We are very pleased to finally announce a conclusive and mutually beneficial new royalty agreement with CTI. As our long-standing shareholders know, CTI was our first royalty investment and for various reasons, we were unable to achieve the positive outcomes we always believed were possible. Until today. I commend the new board and new management team of CTI for all their productive efforts to work with us in finding a mutually beneficial solution while continuing to optimize their operations, secure new customers and develop their new facility in Palm Desert. This new royalty agreement is very much a win-win for both companies' shareholders and we, along side the new leadership team at CTI, look forward to a very productive and prosperous 2020 and beyond working together in partnership."

CTI is strategically located in the state of California, which is expected to post a record $US3.1 billion in licensed cannabis sales for 2019, solidifying its status as the largest legal marijuana market in the world. Legal sales are up approximately 23% from an approximate $US2.5 billion in 2018, the first year of licensed cannabis sales in California, according to recent

analysis by sales-tracking firms Arcview Market Research and BDS Analytics.

About Cultivation Technologies Inc.

Cultivation Technologies is a multifaceted manufacturing and distribution organization. It provides state licensed, high quality BHO concentrates for white label manufacturing, toll processing and packaging to hand-selected brands and cultivators in California. CTI was also the 1st state licensed Type 7 manufacturer in the State of California. What make CTI unique is its ability to develop proprietary processes that create new products that are being recognized as superior by the industry and consumer.

For more information about CTI's manufacturing capabilities, please visit its website at www.coachellamanufacturing.com

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 of 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.

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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 how the developing U.S. legal regime will impact the cannabis industry, statements about FinCanna's ability to source suitable projects, the size, capacity, and success of operations at CTI's interim extraction and manufacturing facility in Coachella and its new permanent in Palm Desert, CTI's ability to finance, develop and operate and complete the relocation to its permanent facility in Palm Desert, and FinCanna's ability to generate revenues therefrom. 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 FinCanna's Annual Information Form and

Management's discussion and analysis available in FinCanna's profile 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 undertakes 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. The Company assumes no responsibility to update or revise forward-looking information to reflect new events or circumstances unless required by applicable law.