

# Percy Street Capital Corporation Announces Qualifying Transaction

Jan 16, 2018

OTTAWA, (GLOBE NEWSWIRE) — Percy Street Capital Corporation (“Percy Street” or the “Corporation”) (TSXV:PSC.P), a capital pool company, is pleased to announce it has entered into an arm’s length agreement in principle to purchase all of the issued and outstanding securities of LiveWell Foods Canada Inc. (“Livewell Foods”), a corporation incorporated on May 5, 2015 under the laws of Canada, and it intends that the proposed transaction will constitute its qualifying transaction (the “Qualifying Transaction”) under the policies of the TSX Venture Exchange (the “Exchange”). The parties executed a letter of intent on January 11, 2018.

## Qualifying Transaction

Percy Street and Livewell Foods will enter a definitive agreement (the “Amalgamation Agreement”) pursuant to which Percy Street, or a newly incorporated subsidiary of Percy Street, and Livewell Foods will complete a three-corner amalgamation (the “Amalgamation”) under the Canada Business Corporations Act (the “CBCA”) and whereby the security holders of Livewell Foods will receive securities of the issuer resulting from the Amalgamation (the “Resulting Issuer”). The parties have agreed that for the purposes of the Amalgamation, the valuation of Percy Street will be \$1,665,000 and the valuation of Livewell Foods will be \$50,000,000.

The proposed Qualifying Transaction is not a Non-Arm’s Length Qualifying Transaction. While Timothy McCunn is the current President & CEO and a director of Percy Street as well as a director of Livewell Foods, he is not a Control Person, as that term is defined by the Exchange, of either party. Tim McCunn owns 0.9% of the issued and outstanding shares of Percy Street and 7.0% of the issued and outstanding shares of Livewell Foods. The proposed Qualifying Transaction will not be subject to Percy Street shareholder approval.

Conditions precedent to the Closing of the Qualifying Transaction include execution of the Amalgamation Agreement and Percy Street and Livewell Foods obtaining all necessary consents to complete the Qualifying Transaction.

A concurrent financing will only be considered if necessary to meet the initial listing requirements of the Exchange. The parties intend on applying for a waiver of the sponsorship requirement.

## History of the Business and Significant Financial Information

Livewell Foods is a diverse and science-based nutritional lifestyle company incorporated in 2015 and operating through its subsidiaries: Livewell Foods Quebec Inc. (“Livewell Foods QC”), O-Hemp Inc. (“O-Hemp”), Artiva Inc. (“Artiva”), and Delisse Fine Cuisine

Inc. (“Delisse”). The registered office of Livewell Foods, O-Hemp, and Artiva is 1275 Leeds Ave., Suite 900, Ottawa, ON K1B 3W2. The registered office of Delisse is 1275 Leeds Ave., Suite 900, Ottawa, ON K1B 3W2. The registered office of Livewell Foods QC is 5970 Henri Bourassa Ouest, Montreal, QC H4R 3A6.

The collaboration of the Livewell Foods’ subsidiaries has positioned it for the next generation of healthy horticulture and functional food manufacturing including in the hemp and cannabis sectors. In addition, Delisse caters to the healthy minded consumer producing healthy foods. Artiva has applied for a Canadian medicinal cannabis licence through its joint venture partner Canopy Growth Corporation, and Livewell Foods QC will be applying shortly thereafter utilizing the same partner based application process.

Livewell Foods has been created to combine the growing and food manufacturing experience of its management team into this multi-faceted supplier of agricultural and functional food products.

Upon the completion of the Qualifying Transaction, the Resulting Issuer will be involved in the Diversified Industries sector, selling food and plant-based products to the public, in particular, through the following subsidiaries:

ARTIVA – Livewell Foods owns 100% of the issued and outstanding shares of Artiva which owns 100 acres of agriculture land near the Ottawa airport which includes 20 acres of greenhouse facilities. These facilities have a 25 year operating history of horticulture and cultivation. This facility was acquired by Livewell in Q4 of 2017. Artiva has partnered with Canopy Growth Corporation to receive strategic and operational support including but not limited to licensing, distribution, marketing, technology, genetics and personnel. Upon licensing, Canopy will receive a 20% equity interest in Artiva and an option to purchase 20% of annual production. Artiva has completed the security phase of its application with Health Canada and is working with Canopy to finalize its licence.

Artiva also has an agreement in principle with Cannabis Wheaton Income Corp (“Cannabis Wheaton”) for an investment of \$54,000,000 for 20% of Artiva, including a 1/3rd offtake of future cannabis production over a 20 year period. On April 17, 2017 Artiva entered into an agreement with Cannabis Wheaton which provides for financing for the build out of its facilities by Cannabis Wheaton on the following terms:

Cannabis Wheaton shall subscribe for \$54,000,000 of common equity of Artiva at a price per common share on the date of funding which:

- (i) If not listed for trading on an exchange reflects a \$270,000,000 pre-money valuations; or
- (ii) If the shares are listed on the Exchange is equal to the greater of (x) the trading price or (y) \$270,000,000 pre-money valuations;

Artiva shall grant Cannabis Wheaton “access and influence” over 33% of the actual cultivation yield which includes the right to purchase such yield at cost plus 10%, for a period of 10 years;

Artiva also grants to Cannabis Wheaton a right of first refusal to finance an expansion of

the facility in terms similar to the above.

Artiva and its predecessor company Sole Produce had unaudited revenues of approximately \$2,100,000 in 2017.

LIVEWELL FOODS QC – Livewell Foods owns 100% of the issued and outstanding shares of Livewell Foods QC which has an option to purchase up to 1,400 acres in the Pontiac region of Quebec, 1 hour north-west of Ottawa, ON and Gatineau, QC. It is also management's intent to build a licensed greenhouse facility at this site. This site will also house a Global Innovation Center focused on Cannabis products, hemp products and research and development, including but not limited to a proprietary organic extraction and isolation technology. Artiva and Livewell Foods QC have entered into an exclusive licensing agreement with Relief Effects Inc. for the intellectual property surrounding our isolate and infusion technologies.

O-HEMP – Livewell Foods owns 100% of the issued and outstanding shares of O-Hemp which is focused on manufacturing and sale of hemp products. It has recently launched its first products in Q4 of 2017.

DELISSE – Livewell Foods owns 40% of the issued and outstanding shares of Delisse and has an option to acquire the remaining shares of Delisse, which is a food manufacturing company distributing a variety of food products through national distributors.

#### Financial Information

Based on the audited financial statement for the year ending December 31, 2016, as a holding company, Livewell Foods generated no revenue and incurred a net loss of \$569,486 and negative cash flows from operations of \$409,419. Unaudited interim financial statements to November 30, 2017 for Livewell Foods indicates a net loss of \$1,500,000, with total assets of \$3,500,000.

#### Directors and Management of the Resulting Issuer

The following are summaries of those individuals, including a tentative board composition, considered Insiders of the Resulting Issuer. The summaries include each individual's expected positions with the Resulting Issuer and relevant work and educational backgrounds:

Seann Poli, Co-Chief Executive Officer, Director – Mr. Poli has an extensive business background, successfully growing a number of mid and small sized companies in private capital markets. Mr. Poli's experience encompasses a diverse set of industries and roles involving negotiations with key stakeholders, government offices, private investors, senior level management, and on-site staff.

Peter Abboud, Co-Chief Executive Officer, Director – Mr. Abboud has extensive background in horticulture, produce and food manufacturing. He has 25 years of

involvement with start-up companies domestically and internationally and experience in food manufacturing as founder of Delisse.

David Rendimonti, President – Mr. Rendimonti has held senior roles within Johnson & Johnson and Pfizer. He has extensive experience in the biotech, CNS and women’s health markets in Canada leading product development, launch, programming and market leading share, growth and innovation.

Michel Lemieux, Chief Administrative Officer – Mr. Lemieux has over 25 years of experience in organizational change, business development, and strategic planning.

Peter Ostapchuk, Director, Chair of Audit Committee – Mr. Ostapchuk is an executive advisor with over 29 years of advisory, governance, and financial restructuring, expertise in leadership roles. Mr. Ostapchuk was a principal financial and M&A advisor with EY and PwC, financial institution risk management advisor with the CDIC, and federal Crown corporation Deputy CFO. Mr. Ostapchuk is a CPA, CA, and holds the ICD.D designation from the Institute of Corporate Directors. Mr. Ostapchuk was appointed to the OSC regulated Boards within the Global Financial Group, and was previously on the board of directors of Alterna Bank and Alterna Savings as Chair of the Audit and Finance Committee.

Hugh Notman, Director – Mr. Notman is a managing director with the national mid-market firm, CCC Investment Banking, managing the Vancouver office. Mr. Notman’s business career has mostly been in the financial services industry for over 35 years. CCC Investment Banking is a leading mid-market firm that is active in the healthcare and food and beverage sectors. Mr. Notman holds the ICD.D designation from the Institute of Corporate Directors. Mr. Notman sits on several for profit and non-profit boards.

#### Exchange Policy 2.4 – Capital Pool Companies

Under Exchange Policy 2.4, a capital pool company must complete a Qualifying Transaction within 24 months of listing. Percy Street was listed on January 12, 2016. Trading of Percy Street’s common shares was halted on January 12, 2018 at the request of the Corporation. However, Percy Street’s “halted” status will change to “suspended” on January 18, 2018 and will remain suspended until the Exchange provides final approval for the Qualifying Transaction.

Completion of the transaction is subject to a number of conditions, including but not limited to, Exchange acceptance and if applicable pursuant to Exchange Requirements, majority of the minority shareholder approval. Where applicable, the transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all. Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the transaction, any information released or received with respect to the transaction may not be accurate or complete and should not be relied upon. Trading in the securities of a capital pool company should be considered highly speculative. The TSX Venture Exchange Inc. has in no way passed upon the merits of the

proposed transaction and has neither approved nor disapproved the contents of this press release.

Contact information

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