

# Trichome Financial Corp. Announces Proposed Qualifying Transaction with 22 Capital Corp.

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TORONTO, Oct. 3, 2018 /CNW/ - 22 Capital Corp. (TSXV: LFC.P) ("**22 Capital**") and Trichome Financial Corp. ("**Trichome**") are pleased to announce that they have on October 2, 2018 entered into a binding letter agreement (the "**Letter Agreement**") which outlines the general terms and conditions pursuant to which 22 Capital and Trichome have agreed to complete a transaction that will result in a reverse take-over of 22 Capital by the shareholders of Trichome (the "**Transaction**"). The Letter Agreement was negotiated at arm's length by independent members of the management of Trichome and independent members of the board of directors of 22 Capital. The Transaction, if completed, will constitute 22 Capital's "Qualifying Transaction" as such term is defined in Policy 2.4 of the TSX Venture Exchange ("**TSXV**"), and it is anticipated that the resulting issuer will be listed as a Tier 1 Investment issuer on the TSXV. Currently a subsidiary of CannaRoyalty Corp. ("**CannaRoyalty**") (CSE: CRZ), Trichome is a private corporation. Each of Trichome and CannaRoyalty exists under the laws of the Province of Ontario.

## **Terms of the Transaction**

Prior to the completion of the Transaction, Trichome intends to complete a brokered private placement (the "**Offering**") of subscription receipts ("**Subscription Receipts**") in an amount and at a price (the "**Offering Price**") to be determined in the context of the market. Each Subscription Receipt will be automatically converted into one common share of Trichome ("**Trichome Share**") immediately prior to completion of the Transaction. The net proceeds from the Offering will be used to fund specialty finance solutions to Trichome's growing pipeline of opportunities in the cannabis sector. Further details regarding the Offering, including the name of any broker engaged in connection therewith, will be included in a subsequent news release once additional details become available.

In connection with the Transaction, 22 Capital will effect a consolidation (the "**Consolidation**") of its common shares (the "**Pre-Consolidation Shares**") into such number of common shares ("**Post-Consolidation Shares**") as is equal to the quotient obtained by dividing 1,521,000 by the Offering Price. 22 Capital will then acquire all of the issued and outstanding Trichome Shares on the basis of one Post-Consolidation Share for each Trichome Share outstanding.

## **About Trichome Financial Corp.**

Trichome was incorporated on September 18, 2017 and is a specialty finance company focused on providing flexible and creative capital solutions to the global legal cannabis market. It was created to address the lack of credit availability in the large, growing and increasingly complex cannabis market. Founded by industry leaders CannaRoyalty Corp., Stoic Advisory, and Sprott Inc. (TSX: SII), Trichome's experienced management team has a unique edge to capitalize on proprietary deal flow and insight while developing a first mover advantage as a global cannabis focused specialty finance company. Trichome provides customized financing solutions across the industry value chain to support growth, capital expenditures, M&A, working capital and other needs. Transactions are typically structured to earn attractive rates of contractual cash flows, retain optionality on value creation and ensure return of capital. Leveraging the combined resources and knowledge of its

founders and management, it is able to offer significant value-added financial, product, market and operational support to its partner companies. Trichome's current assets are all based in Canada and it has no operations or assets in the United States.

## **About CannaRoyalty**

CannaRoyalty is a North American cannabis consumer product company currently focused on building a leading distribution business in California, the world's largest regulated cannabis market. By building a world-class logistics platform and supporting contract manufacturing assets, CannaRoyalty intends to support the growth of new and established cannabis brands. CannaRoyalty believes California, home to some of the world's most discerning consumers and a nexus of information and trends, will be the point of inception for the global cannabis brands of the future. CannaRoyalty has developed a diversified portfolio of assets within the cannabis sector, including research, infrastructure and intellectual property to support our existing brands, partner products and distribution networks. The company's leadership and staff combines passion and a hands-on understanding of the cannabis industry, with proven financial and legal expertise. CannaRoyalty's shares trade on the Canadian Stock Exchange (CSE) under the symbol CRZ and in the US on the OTCQX under the symbol CNNRF. CannaRoyalty owns 1,600,000 Trichome Shares, representing approximately 68.9% of the Trichome Shares.

## **Directors and Executive Officers**

Subject to applicable shareholder and TSXV approval, it is anticipated that the directors and officers of the resulting issuer will be:

### **Marc Lustig, Chairman of the Resulting Issuer**

Mr. Lustig is the Founder and CEO of CannaRoyalty and is the Chairman of Trichome and a director of 22 Capital. He holds MSc and MBA degrees from McGill University. He began his professional career in the pharmaceutical industry at Merck & Co. In 2000, he started his capital markets career in institutional equity research in the Life Sciences sector at Orion Securities. For the next 14 years, Mr. Lustig worked as an executive at GMP Securities L.P. and as Head of Capital Markets at Dundee Capital Markets before becoming Principal at KES 7 Capital. Mr. Lustig founded Cannabis Royalties & Holdings Corp. in early 2015.

### **Michael Ruscetta, Chief Executive Officer of the Resulting Issuer**

Mr. Ruscetta is the Chief Executive Officer of Trichome, joining in May, 2018 after previously managing the RCM Special Situations Fund, a Canadian focused value-oriented equity fund. Previously, Mr. Ruscetta served as Co-Head of Goldman Sachs' Canada Special Situations Group, a multi-asset principal investing platform, and as Managing Director of Amaranth Advisors (Canada) ULC, a multi-strategy investment fund that was headquartered in Connecticut. Mr. Ruscetta also has held numerous roles at CIBC, including many years in its merchant banking division working exclusively on a wide array of customized principal investments.

### **Kevin Jarrett, Vice President of Investments of the Resulting Issuer**

Mr. Jarrett joined Trichome in December 2017 after working as a VP, Investments at Grenville Strategic Royalty Corp. (now Flow Capital Corp), a publicly-traded royalty investor making investments in North American late stage venture and early stage growth companies. Mr. Jarrett spent six years and co-led due diligence and transactional execution efforts on over \$60 million in royalty investments at Grenville. Mr. Jarrett initially joined CannaRoyalty to lead the launch of Trichome Financial while assisting CannaRoyalty's business development team with transactions related to their US portfolio. Prior to Grenville, Mr. Jarrett served as an analyst at Quantum Leap Asset Management, where he helped to lead the underwriting, execution and monitoring of the Quantum Leap Mortgage Investments portfolio of residential real estate assets within the Greater Toronto Area.

### **Afzal Hasan, Director of the Resulting Issuer**

Mr. Hasan is the President and General Counsel of CannaRoyalty. He obtained a Juris Doctor (J.D.) and a Bachelor of Science (B. Sc.), Commerce and Human Biology, from the University of Toronto. Prior to joining CannaRoyalty, Mr. Hasan worked as a securities lawyer at Cassels Brock & Blackwell LLP, where he developed a broad spectrum of experience providing advice to both public and private companies on transactions in diverse industry sectors. Mr. Hasan's experience prior to his career in the private legal practice includes a secondment at the Mergers and Acquisitions Group in the Corporate Finance Branch of the Ontario Securities Commission, working with the United Nations and the wholesale banking division of a major multi-national bank in Thailand and completing independent research in microbial genetics at the University of Toronto.

### **Timothy Diamond, Director of the Resulting Issuer**

Mr. Diamond brings to Trichome over 25 years of entrepreneurial and managerial experience across asset management, merchant banking, and venture investing including founding, building and successfully exiting several companies. He has particular experience in guiding rapidly expanding businesses in the financial services sector. From 2009-2013, he led, grew and sold Nova Potash Corporation, a mining company with property in Ethiopia, and Basis Medical Technologies, Inc., an international medical device business. In 2007, he seeded and assisted Street Capital Financial Corporation, a Canadian mortgage origination company that was sold in 2011 to Council Corporation, a public company based in Toronto. From 1995-2004, he co-founded and led the sale of Triax Capital Corp., Skylon Capital Corp. and Venture Link Capital Corp., all Canadian-based mutual fund wholesalers. Mr. Diamond holds a B.A. from the University of Western Ontario.

### **Marissa Lauder, Director of the Resulting Issuer**

Marissa Lauder is the Executive Vice President, Chief Financial Officer and Corporate Secretary of Street Capital Group Inc. (TSX: SCB) and Street Capital Bank of Canada. She is a seasoned financial executive with more than 18 years of experience in the financial services sector in Canada. Ms. Lauder was an executive at Home Trust Company for 6 years where she held executive positions in both Finance and Risk Management. Ms. Lauder also spent over 5 years at the Office of the Superintendent of Financial Institutions of Canada as a senior advisor in the regulation sector contributing to the development of local and international regulatory policy for accounting, capital and disclosure. She earned her CPA, CA designation while working in Ernst and Young's Toronto Financial Services office and holds a Bachelor of Commerce degree from the University of Toronto.

### **Onekanew Christian Sinclair, Director of the Resulting Issuer**

Onekanew Sinclair is a well-regarded member of the Opaskwayak Cree Nation ("OCN") and co-chair of Manitoba's Northern Economic Development Strategy. He currently serves on the board of National Access Cannabis (TSX-V: META), in which OCN is both a significant shareholder and lender. Since 2002, he has worked with Indigenous groups across Canada and the United States, focused on corporate development for major natural resource projects related to hydro, mining, oil and gas. Onekanew Sinclair is well-connected and highly regarded by the First Nations communities throughout Manitoba and Canada, linking together development and partnerships with Indigenous and non-Indigenous communities.

### **Dr. Jonathan Page, Director of the Resulting Issuer**

Dr. Page is the Co-Founder and Chief Executive Officer of Anandia Labs, which provides industry-leading analytical testing services including potency, pesticides, microbes and terpenes to Licensed Producers and patients. Anandia Labs was recently acquired by Aurora Cannabis for \$115 million. He received his PhD from the University of British Columbia (1998) then undertook postdoctoral training in Munich and Halle, Germany (1998-2003). He followed that by directing a lab at the National Research Council's Plant Biotechnology Institute from 2003-2013.

### **Brent Cox, Director of the Resulting Issuer**

Mr. Cox is an experienced investor and financier. Brent is a founding partner of The Inception Companies, a private investment vehicle focused on the global cannabis market, following a number

of years at The Yucaipa Companies, where he helped invest and monitor over USD\$4.0 billion of private equity transactions. Mr. Cox currently serves on the board of The Pharm (Sunday Goods), a successful vertically integrated U.S. cannabis company, and formerly served on the board of MedMen.

As at the date hereof, the proposed directors of the resulting issuer beneficially own, in the aggregate, directly or indirectly, approximately 15% of the Trichome Shares.

Mr. Marc Lustig, the Chairman of the board of directors of Trichome beneficially owns approximately 2,000,000 of the issued and outstanding Pre-Consolidation Shares and 500,000 options of 22 Capital (representing 19.7% on a basic basis and 21.4% on a fully-diluted basis). Mr. Lustig beneficially owns approximately 100,000 of the Trichome Shares (representing 4.3% on a basic basis and 1.8% on a fully-diluted basis). Each of Jay Goldman (a director of 22 Capital) and Steven Mintz (a director and officer of 22 Capital) beneficially own 1,000,000 of the issued and outstanding Pre-Consolidation Shares and 200,000 options of 22 Capital (representing 9.9% on a basic basis and 10.25% on a fully-diluted basis). Additionally, Mr. Goldman and Mr. Mintz beneficially own, direct or control 10,600 and 21,200, respectively, non-voting preferred shares of Trichome which represents 0.33% and 0.67%, respectively, of the issued and outstanding preferred shares. Mr. Lustig recused himself from all negotiations, deliberations and approvals of the Letter Agreement in respect of both 22 Capital and Trichome. Based on the foregoing and the fact that Mr. Lustig is not a "control person" (within the meaning of the policies of the TSXV) of either 22 Capital or Trichome, the Transaction is not expected to constitute a Non-Arm's Length Qualifying Transaction, within the meaning of the applicable policies of the TSXV.

### **Conditions to Transaction**

Prior to completion of the Transaction (and as conditions of closing):

- 22 Capital shall convene a meeting of its shareholders for the purpose of approving, among other matters: (i) the Consolidation; (ii) a name change to such name as may be approved by Trichome and acceptable to applicable regulatory authorities; (iii) the election of the directors; and (iv) the approval of the Transaction, if required by the TSXV.
- 22 Capital will prepare a filing statement (or management information circular) in accordance with the rules of the TSXV, outlining the terms of the Transaction. Trichome will provide assistance and details as to the business, assets, properties and operations of Trichome and will be responsible for any and all audited annual financial statements, interim financial statements, if applicable, and pro forma financial statements related to its business and operations.
- 22 Capital and Trichome intend to enter into a definitive agreement (the "**Definitive Agreement**") in respect to the Transaction.
- Trichome will obtain the requisite shareholder approvals for the Transaction and the ancillary matters contemplated in the Definitive Agreement.
- All requisite regulatory approvals relating to the Transaction, including, without limitation, TSXV approval, will have been obtained, as well as all third party approvals including any lenders, financial institutions, licensors or strategic partners.

### **Pre-Closing Capitalization of 22 Capital and Trichome**

As of the date hereof, 22 Capital has 10,140,000 Pre-Consolidation Shares issued and outstanding, options (the "**Options**") to acquire an aggregate of 1,010,000 Pre-Consolidation Shares at an exercise price of C\$0.10 per Pre-Consolidation Share, and broker warrants (the "**Broker**

**Warrants**) to acquire 560,000 Pre-Consolidation Shares at an exercise price of C\$0.10 per Pre-Consolidation Share. As a condition of the Transaction, the expiry date of the Options will be amended to expire on the date which is six months following the closing of the Transaction.

As of the date hereof, Trichome has 2,320,000 Trichome Shares and 3,171,301 Class A preference series 1 shares of Trichome issued and outstanding (all of which will convert into Trichome Shares prior to closing), and convertible securities to acquire an aggregate of **1,479,915** Trichome Shares at an exercise price of C\$**4.73** per share.

### **Additional Information Regarding the Transaction**

The Transaction is subject to requisite regulatory approval, including the approval of the TSXV and standard closing conditions, including the approval of the directors of each of 22 Capital and Trichome of the Definitive Agreement, as well as the conditions described above. The legal structure for the Transaction will be determined after the parties have considered all applicable tax, securities law, and accounting efficiencies.

22 Capital was incorporated under the provisions of the *Business Corporations Act* (Ontario) with its registered and head office in Toronto, Ontario. It is a capital pool company and intends for the Transaction to constitute its "Qualifying Transaction" as such term is defined in the policies of the TSXV. 22 Capital is a "reporting issuer" within the meaning of the *Securities Act* (Ontario), *Securities Act* (British Columbia) and *Securities Act* (Alberta).

Trading in the Pre-Consolidation Shares of 22 Capital is halted at present. It is unlikely that the Pre-Consolidation Shares of 22 Capital will resume trading until the Transaction is completed and approved by the TSXV.

### **Sponsorship**

22 Capital expects to request an exemption from the requirement to obtain a sponsor in respect of the proposed Transaction, in accordance with the policies of the TSXV. Any such exemption will be subject to the approval of the TSXV.

### **Further Information**

All information contained in this news release with respect to 22 Capital and Trichome was supplied by the parties respectively, for inclusion herein, and each party and its directors and officers have relied on the other party for any information concerning the other party.

*Completion of the Transaction is subject to a number of conditions, including but not limited to, TSXV acceptance and if applicable pursuant to the requirements of the TSXV, 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 TSXV has in no way passed upon the merits of the proposed Transaction and has neither approved nor disapproved the contents of this press release.*

**NEITHER THE TSXV NOR ITS REGULATION SERVICES PROVIDER (AS THAT TERM IS DEFINED IN THE POLICIES OF THE TSXV) ACCEPTS RESPONSIBILITY FOR THE ADEQUACY**

## OR ACCURACY OF THIS RELEASE.

### CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION:

This news release contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates and projections as at the date of this news release. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may" or "could", "would", "might" or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. In this news release, forward-looking statements relate, among other things, to: the terms and conditions of the proposed Transaction and the terms and conditions of the proposed Offering. Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable, are subject to known and unknown risks, uncertainties, and other factors which may cause the actual results and future events to differ materially from those expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general business, economic, competitive, political and social uncertainties; and the delay or failure to receive board, shareholder or regulatory approvals. There can be no assurance that such statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release. Except as required by law, 22 Capital and Trichome assume no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change.

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