



## **BR Brands and Dixie Agree to Combine, Creating Market-Leading CPG Platform**

*Reverse Takeover Will Bring Together Two Highly Recognized Portfolios, Including the Iconic Mary's and Dixie brands.*

GREENWICH, CT, and DENVER, March 9, 2020 /CNW/ - Today, BR Brands LLC ("BR Brands"), a premier house of brands within the legal cannabis sector, and Dixie Brands Inc. ("Dixie") ([CSE: DIXI.U](#)), (OTCQX: DXBRF), (Frankfurt: 0QV), one of the cannabis industry's most recognized consumer packaged goods companies, have signed an exclusive, binding term sheet to merge. Under the terms of the deal, BR Brands will combine operations with Dixie by assuming the publicly traded platform via a reverse takeover. This transaction, expected to be completed by the third quarter of this year, will create one of the cannabis industry's most comprehensive established house of brands.

[BR Brands](#) is the owner of Mary's Brands™, a portfolio of cannabis products that includes the acclaimed medical and topical brand Mary's Medicinals®. BR Brands' portfolio also includes three California based brands; [Defonce](#), [Beezle](#) and [Rebel Coast](#). With an ecosystem of operating assets and an infrastructure that currently spans 11 states and Puerto Rico, BR Brands is a market leader in geographic reach and product diversity.

"BR Brands and its affiliates have had a long-standing relationship with Dixie, rooted in a deep respect for its platform and product portfolio," said Andrew Schweibold, Chairman of BR Brands. "BR Brands was established to unite premium and emerging cannabis brands under one umbrella, offering unparalleled access to top-tier operating talent and capital expertise. With the consummation of this transaction, the resulting entity is poised to build upon our product portfolio, develop best-in-class IP and expand our geographic footprint, all while remaining laser-focused on continuing to meet the needs of our consumers."

[Dixie Brands](#) has been a pioneer and leader in the infused-cannabis industry since the launch of its iconic THC-infused Elixir in 2010. Recognizing early that the future of the cannabis industry lay in embracing CPG principles, the company focused on developing industry leading product development, production, distribution and marketing capabilities, leading to the creation of one of the industry's broadest 'house of brands'. The portfolio includes established brands such as Dixie™, Synergy™, [AcesoHemp](#)™,

[Therabis](#)™ and a strategic partnership with Herbal Enterprises, LLC, an affiliate of the AriZona™ brand.

"The challenges of the current cannabis related capital markets have guided Dixie to look for a strategic partner in order to solidify a platform we can leverage for long-term, stable growth for our shareholders. This strategic combination brings two of the most trusted and iconic brands together on one of the broadest manufacturing and distribution platforms in the industry," said Chuck Smith, President and CEO of Dixie. "We are very pleased with the fundamentals of the deal as they will strengthen our balance sheet by decreasing debt, improving our cash position, and providing opportunities to enhance revenue growth and capture greater margin."

The Board of Directors of the merged company will be comprised of three nominees of BR Brands and two nominees of Dixie. Chuck Smith, President and Chief Executive Officer of Dixie, will become President and Chief Executive Officer of the merged company and Andrew Schweibold will serve as chairman of the board of the merged company. Unrelated to the deal and for personal reasons, Dixie's Chief Financial Officer, Greg Robbins has resigned effective immediately. Dixie's current Controller, Jared Lanser, will assume the role of interim CFO of Dixie.

Under the terms of the transaction, it is expected that:

- BR Brands will complete a reverse takeover of Dixie at an implied valuation of Dixie of a minimum of \$43,225,000 and will convert approximately \$6 million of senior secured indebtedness owing by Dixie into subordinate voting shares of the entity resulting from the business combination (the "Resulting Issuer"), such that following completion of the transaction BR Brands and Dixie shareholders will own approximately 80% and 20%, respectively, of the Resulting Issuer.
- All of the outstanding shares of the Resulting Issuer will be consolidated on the basis of one post-consolidation Resulting Issuer share for every 10 pre-consolidation Resulting Issuer shares or, if required to ensure compliance with the minimum listing requirements of the Canadian Securities Exchange, such other consolidation ratio as may be agreed upon by Dixie and BR Brands, each acting reasonably.
- In anticipation of the entry by Dixie into strategic distribution, licensing or similar arrangements to permit BR Brands to manufacture and distribute Dixie products in the various territories in which BR Brands operates during the period from the date of the binding letter of intent until the execution of the definitive agreement, BR Brands will provide Dixie prepaid distribution, licensing or similar fees in an aggregate principal amount of up to \$1,000,000 (the "Pre-paid Fees").

The transaction will be structured by way of a plan of arrangement, amalgamation, merger, takeover bid, reorganization or other similar form of transaction, as determined following a review of all relevant legal, regulatory and tax matters. It is the intention of the parties that the Resulting Issuer will continue the combined businesses of Dixie and BR Brands, and that the common shares of the Resulting Issuer will be listed and

posted for trading on the Canadian Securities Exchange, subject to satisfaction of all applicable listing requirements.

If the transaction is not completed for any reason other than a breach of the definitive agreement by BR Brands or a decision by BR Brands to not enter into the definitive agreement on terms substantially similar to the terms contained in the binding term sheet, then Dixie shall: (i) reimburse BR Brands for all reasonable fees, disbursements and taxes incurred by BR Brands in connection with the transaction; and (ii) pay a break fee in the amount of \$6,500,000 to BR Brands, representing approximately 3% of the overall transaction value. In addition, if the transaction is not completed because of a breach of the definitive agreement by BR Brands or a decision by BR Brands to not enter into the definitive agreement on terms substantially similar to the terms contained in the binding term sheet, then BR Brands shall convert the amount of the Pre-paid Fees into publicly traded shares of Dixie at the then current market price of the subordinate voting shares on the Canadian Securities Exchange.

The completion of the transaction is subject to the satisfaction of various conditions as are standard for a transaction of this nature, including but not limited to: (i) execution of a definitive agreement between the parties; (ii) receipt of all requisite regulatory, stock exchange, or other third party consents approvals and authorizations; (iii) the conditional approval of the Canadian Securities Exchange for the listing of the Resulting Issuer shares; and (iv) the absence of any material adverse change affecting Dixie or BR Brands. There can be no assurance that the transaction will be completed on the terms described herein or at all. Dixie has requested a voluntary halt of its subordinate voting shares on the Canadian Securities Exchange pending completion of the transaction. Dixie does not anticipate that its subordinate voting shares will resume trading until such time as the transaction has been completed and the Canadian Securities Exchange has accepted the new listing of the Resulting Issuer's shares, unless the transaction is not completed, in which case the Company will request a lifting of the voluntary halt.

BR Brands and Dixie will bring together a strong team of seasoned CPG and cannabis executives with an unparalleled depth of experience in the cannabis and consumer brands sector. "One of the strongest components of this merger is the strength of the respective teams at the corporate, brand, and operating levels. I look forward to working closely with our counterparts at BR Brands as we finalize our plans to combine," said Chuck Smith.

AltaCorp Capital Inc. is acting as financial advisor to Dixie in connection with the transaction.

### **Dixie Investor Conference Call**

Management invites Dixie investors to participate in a conference call to discuss the above announcement.

## Conference Call Details:

Time: Monday, March 9, 2020 at 10:00 am EDT

Dial-in: 888-664-6392 (toll free) or (+1) 416-764-8659 (international calls)

### **ABOUT BR BRANDS**

BR Brands, LLC is a consumer packaged goods platform within the global legal cannabis sector, dedicated to partnering with best-in-class brands that share the same vision of integrity, commitment to consistent dosing and product efficacy. BR Brands is actively deploying new capital into the sector and continues to seek out new partnerships by utilizing a 'buy-and-build' approach to consolidation. Representing one of the largest geographic footprints of cannabis brands to-date, BR Brands centralizes strategic capital allocation and key executive functions to maximize operational synergies across its house of brands, with the goal of driving outsized returns for all stakeholders. The founder and exclusive financial partner of BR Brands is [Rose Capital](#), an investment firm focused on providing strategic capital and operating partnerships across the global cannabis sector. For prospective operators and investors seeking more information on BR Brands, please contact us at [info@brbrands.com](mailto:info@brbrands.com) or visit [www.brbrands.com](http://www.brbrands.com).

### **ABOUT DIXIE BRANDS**

Dixie Brands Inc. is leading the CPG cannabis industry by championing freedom for consumers around the world. Through its licensed partners, Dixie has been perfecting the art and science of creating award-winning THC and CBD-infused products for nearly a decade. A true multi-state operator currently in California, Colorado, Maryland, Michigan, Nevada and Oklahoma. Dixie's relentless commitment to product innovation from fun to functional has earned the brand a place as one of the industry's most recognized consumer brands. Dixie's portfolio features over 100 products across more than 15 different product categories representing the industry's finest edibles, beverages, tinctures, topicals and connoisseur grade extractions, as well as world-class CBD-infused wellness products and pet supplements. To find out more about Dixie's innovative products, visit [www.dixiebrands.com](http://www.dixiebrands.com).

### **CAUTION REGARDING FORWARD-LOOKING INFORMATION**

The information provided in this press release may contain "forward-looking information" and "forward-looking statements" within the meaning of applicable securities laws. All statements, other than statements of historical fact, made by the Company (or its predecessors) that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-looking statements, including, but not limited to, statements preceded by, followed by or that include words such as "may", "will", "would", "could", "should", "believes", "estimates", "projects", "potential", "expects", "plans", "intends", "anticipates", "targeted", "continues", "forecasts", "designed", "goal", or the negative of those words or other similar or

comparable words. Forward-looking statements may relate to future financial conditions, results of operations, plans, objectives, performance or business developments. These statements speak only as at the date they are made and are based on information currently available and on current expectations and assumptions concerning future events, which are subject to a number of known and unknown risks, uncertainties and other factors that may cause actual results, performance or achievements to be materially different from that which was expressed or implied by such forward-looking statements, including, but not limited to, risks and uncertainties related to: (i) the regulation of the medical and recreational marijuana industry in the United States, Canada, Mexico, Australia, New Zealand, Latin America and other countries in which the Company may carry on its business; (ii) the ability of the Company to obtain meaningful consumer acceptance and a successful market for its products on a national and international basis at competitive prices; (iii) the ability of the Company to develop and maintain an effective sales network; (iv) the success of the Company in forecasting demand for its products or services; (v) the ability of the Company to maintain pricing and thereby maintain adequate profit margins; (vi) the ability of the Company to achieve adequate intellectual property protection; (vii) the availability of financing opportunities, risks associated with economic conditions, dependence on management and conflicts of interest; and (viii) other risks described from time to time in documents filed by the Company with securities regulatory authorities, including the Company's annual information form dated June 21, 2019.

The forward-looking statements contained herein are based on certain key expectations and assumptions, including that: (i) the transaction with BR Brands will be completed on the terms described herein; (ii) there will be no material adverse competitive or technological change in condition of the Company's business; (iii) there will be a demand for the Company's products that the Company has accurately forecast; and (iv) there will be no material adverse change in the Company's operations, business or in any governmental regulation affecting the Company or its suppliers.

With respect to the forward-looking statements contained herein, although the Company believes that the expectations and assumptions on which the forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements as no assurance can be given that they will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks, including the risks described above. Consequently, all forward-looking statements made in this press release are qualified by such cautionary statements and there can be no assurance that the anticipated results or developments will actually be realized or, even if realized, that they will have the expected consequences to or effects on the Company. The cautionary statements contained or referred to herein should be considered in connection with any subsequent written or oral forward-looking statements that the Company and/or persons acting on the Company's behalf may issue.

The Canadian Securities Exchange has neither approved nor disapproved the contents of this news release.



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