

# Chemistree announces short-form prospectus offering of debenture units

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VANCOUVER, Feb. 5, 2019 /CNW/ - Chemistree Technology Inc. (CSE: CHM) (US OTCQB: CHMJF) (the "**Company**" or "**Chemistree**") announced today that it has filed a preliminary short form prospectus in each of the provinces of Canada, other than Québec, in connection with a "best efforts" offering (the "**Offering**") of debenture units of the Company (the "**Initial Units**") at a price of \$1,000 per Initial Unit (the "**Offering Price**"). Canaccord Genuity Corp. (the "**Agent**") will act as sole book-runner and agent in respect of the Offering. The number of the Initial Units to be sold pursuant to the Offering will be determined through discussions between the Company and the Agent, in the context of the market.

The Company has granted to the Agent an option (the "**Over-Allotment Option**"), exercisable from time to time in whole or in part, in the sole discretion of the Agent, up to 30 days from the closing of the offering (the "**Closing Date**"), to purchase up to an additional 15% of the number of Initial Units sold pursuant to the Offering on the same terms as set forth above to cover over-allotments, if any (the "**Additional Units**" and together with the Initial Units, the "**Debenture Units**").

Each Debenture Unit will consist of (i) one 10% unsecured convertible debenture of the Company in the principal amount of \$1,000 (each, a "**Debenture**") with interest payable semi-annually in arrears on June 30 and December 31 of each year, commencing June 30, 2019 (each, an "**Interest Payment Date**") and maturing three years from the date the Debentures are issued (the "**Maturity Date**"), and (ii) 2,000 warrants (each, a "**Warrant**"), each Warrant being exercisable for a period of three years following the Closing Date to purchase one common share of the Company (each, a "**Warrant Share**") at an exercise price of \$0.70 per Warrant Share, subject to adjustment in certain events.

Each Debenture will be convertible at a price of \$0.50 per Debenture (the "**Conversion Price**") at the option of the holder (each, a "**Debentureholder**") into common shares of the Company (the "**Debenture Shares**") at any time prior to the earlier of: (i) the last business day immediately preceding the Maturity Date; and (ii) the business day immediately preceding the date specified for redemption of the Debentures upon a change of control, subject to acceleration in certain events. Upon conversion, Debentureholders will receive accrued and unpaid interest thereon for the period from and including the date of the latest Interest Payment Date to, and including, the date of conversion.

The Company may force the conversion of the principal amount of the then outstanding Debentures at the Conversion Price on not less than 30 days' notice should the daily volume weighted average trading price of the Company's outstanding common shares (the "**Common Shares**") on the Canadian Securities Exchange (the "**CSE**") be equal to or greater than \$1.00 per Common Share for any 10 consecutive trading days, subject to such mandatory conversion being permitted under the policies of the applicable exchange at the time of conversion.

Upon a change of control of the Company, Debentureholders will have the right to require the Company to repurchase their Debentures, in whole or in part, on the date that is 30 days following the giving of the notice of change of control, at a price equal to 104% of the principal amount of the Debentures then outstanding plus accrued and unpaid interest thereon (the "**Offer Price**"). If 90% or

more of the principle amount of the Debentures outstanding are tendered for redemption, the Company will have the right to redeem all of the remaining Debentures at the Offer Price.

The Company has agreed to pay a cash commission (the "**Agent's Fee**") to the Agent equal to 7.0% of the gross proceeds of the Offering, including in respect of any Additional Units issued upon exercise of the Over-Allotment Option. As additional consideration for the services rendered in connection with the Offering, the Company has agreed to: (a) pay the Agent, on the Closing Date, a corporate finance fee of \$150,000 (the "**Corporate Finance Fee**"), of which \$75,000 will be paid in cash and \$75,000 will be satisfied through the issuance of Common Shares at the Conversion Price; and (b) issue to the Agent, on the Closing Date, non-transferable broker warrants (the "**Broker Warrants**") to purchase such number of units of the Company (collectively, the "**Broker Units**") as is equal to 7.0% of the number of Debenture Shares that would be issued assuming the conversion of 100% of the Debentures sold under the Offering (including any Additional Units issuable upon exercise of the Over-Allotment Option), at \$0.50 per Broker Unit. Each Broker Unit will consist of one Common Share (each, a "**Broker Unit Share**") and one-half of one Common Share purchase warrant of the Company (each whole warrant, a "**Broker Unit Warrant**"). Each Broker Unit Warrant will be exercisable to acquire one Common Share (each, a "**Broker Warrant Share**") at any time up to 36 months following the Closing Date at an exercise price of \$0.70 per Broker Warrant Share, subject to adjustment in certain events.

The Company will apply to list the Warrants, the Debenture Shares, the Warrant Shares, the Broker Unit Shares, the Broker Unit Warrants and the Broker Warrant Shares to be issued in connection with the Offering on the CSE.

The Company intends to use the net proceeds of the Offering to (i) expand its facilities in Washington State; (ii) expand its brands in California, including the launch of "Sugarleaf" branded products; (iii) continue the licensing, development, and ultimately the build-out, of the Company's property in Desert Hot Springs, California (the "**DHS Property**"); and (iv) for working capital and general corporate purposes.

The Offering is subject to certain conditions including, but not limited to, the receipt of all necessary regulatory and stock exchange approvals, including the approval of the CSE, and the entering into of an agency agreement by the Company and the Agent.

The Debenture Units, Debentures, Warrants, Debenture Shares, Warrant Shares, Broker Warrants, Broker Units, Broker Unit Shares, Broker Unit Warrants and Broker Warrant Shares have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or any U.S. state securities laws and may not be offered or sold in the United States absent registration or an available exemption from the registration requirement of the U.S. Securities Act and applicable U.S. state securities laws. This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Debenture Units, Debentures, Warrants, Debenture Shares, Warrant Shares, Broker Warrants, Broker Units, Broker Unit Shares, Broker Unit Warrants or Broker Warrant Shares, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

## **About Chemistree Technology Inc.**

Chemistree Technology Inc. is an investment company dedicated to the U.S. cannabis sector, endeavoring to provide turn-key solutions for the regulated cannabis industry. The Company's corporate strategy is to acquire and develop vertically integrated cannabis assets, leveraging management's decades of expertise in the cannabis industry and corporate finance to own and operate licensed cultivation, processing, distribution and retail facilities. The Company currently owns assets in Washington State used to operate the Sugarleaf brand, prospective cannabis cultivation lands in California, a 50% interest in a Humboldt County, California cannabis processing company, has completed its first investment in the Canadian cannabis sector through its investment

in Pasha Brands and has a pipeline of assets to grow its base of business. For more information, visit [www.chemistree.ca](http://www.chemistree.ca).

## **Advisory**

The Company wishes to inform shareholders that there are significant legal restrictions and regulations that govern the cannabis industry in both Canada and the United States.

### **Cannabis-related Practices or Activities are Illegal Under U.S. Federal Laws**

The concepts of "medical cannabis" and "recreational cannabis" do not exist under U.S. federal law. The Federal Controlled Substances Act classifies "marihuana" as a Schedule I drug. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the United States, and a lack of safety for the use of the drug under medical supervision. As such, cannabis related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under U.S. federal law. Strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under U.S. federal law, nor will it provide a defence to any federal proceeding which may be brought against the Company. Enforcement of U.S. federal laws will be a significant risk to the business of the Company and any such proceedings brought against the Company may adversely affect the Company's operations and financial performance.

Further information regarding the legal status of cannabis related activities and associated risk factors, including, but not limited to, risk of enforcement actions, risks that third-party service providers, such as banking or financial institutions cease providing services to the Company, and the risk that Company may not be able to distribute profits, if any, from U.S. operations up to the Company, are included in the preliminary short form prospectus of the Company filed in respect of the Offering, the Company's annual information form and other documents incorporated by reference therein and in the Company's Form 2A listing statement filed with the CSE and available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### "Karl Kottmeier"

President

Information set forth in this news release includes 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", "budget", "scheduled" 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 relating to: the Offering, including the receipt in a timely manner, of regulatory and other required approvals and clearances, including the approval of the CSE; the number of Debenture Units to be sold; the gross proceeds of the Offering; the number of Debentures to be issued and sold by the Company; the payment of interest and the principal amount, and the conversion or exercise of other rights attached to the Debentures, the Warrants, the Broker Warrants, the Broker Units and the Broker Unit Warrants; the listing of the Warrants, Debenture Shares, Warrant Shares, Broker Unit Warrants and Broker Unit Shares on the CSE; the payment of the Agent's Fee and Corporate Finance Fee; the exercise of the Over-Allotment Option; and the use of the net proceeds of the Offering.

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: establishing a trading market for the Debenture and Warrants; fluctuations in the market price of the Common

Shares, Debentures and Warrants; risks relating to the dilution of the Common Shares, Debentures and Warrants; risks and uncertainties relating to the actual use of the net proceeds of the Offering; changes in market conditions; an exchange on which the Company's shares are listed may initiate a delisting review; stock price volatility; sales by shareholders of a substantial number of Common Shares, Debentures or Warrants; the failure to sign agreements with a strategic partner in respect of the Company's facilities in Washington State; the failure to obtain required regulatory approvals in respect of the DHS Property; the failure to complete the Company's proposed loan to a Humboldt County-based cannabis processing company located in Arcata, California; and the risks identified in the Company's reports and filings with the applicable Canadian securities regulators, including, without limitation, all risks in and incorporated by reference into the Company's preliminary short-form prospects in respect of the Offering.

Forward-looking statements are made based on management's beliefs, estimates and opinions on the date that statements are made, and the Company 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.

*Neither the Canadian Securities Exchange nor its Market Regulator (as that term is defined in the policies of the Canadian Securities Exchange) accepts responsibility for the adequacy or accuracy of this news release.*

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