

# Vext Science Announces Proposed Acquisition of Ohio Operations and Related Financing Transactions - Will Create Fully Vertically Integrated Operator with Established Footprints in Arizona and Ohio

- *Proposed acquisitions will create a fully vertically integrated entity in Ohio, with an operating Tier I cultivation facility, an operating manufacturing facility, and strategically located, fully operational retail storefronts in Columbus and Jackson.*
- *Vext to offer the complete portfolio of Vapen branded products to consumers across the state of Ohio, the 7<sup>th</sup> largest state by population in the U.S. with an attractive limited license structure.*
- *Ohio's state-sanctioned cannabis sales surpassed the \$1 billion mark in 2022<sup>1</sup> and the state saw a 44% increase in the number of patients over the past 12 months,<sup>2</sup> with the potential for a future transition into an adult-use market.*
- *Vext has obtained a commitment for a \$10 million loan, expected to be used for construction and improvements associated with the acquired cultivation facility and for other general corporate purposes.*
- *David Johns, current Managing Director of Appalachian Pharm Processing in Ohio, has been appointed to the Company's Board of Directors.*

VANCOUVER, BC, Dec. 15, 2022 /CNW/ - [Vext Science, Inc.](#) ("**Vext**" or the "**Company**") (CSE: VEXT) (OTCQX: VEXTF) a cannabinoid brand leader based in Arizona, leveraging its core expertise in extraction, manufacturing, cultivation and marketing to build a profitable multi-state footprint, today announced that it has entered into definitive agreements (the "**Purchase Agreements**") to acquire Appalachian Pharm Processing, LLC, an Ohio limited liability company, together with its subsidiaries and affiliated companies (collectively, "**APP**") for total consideration of approximately \$12.5 million, with \$11 million paid in cash or promissory notes and \$1.5 million, through the issuance of common shares of Vext ("**Common Shares**"), subject to certain customary adjustments (the "**Proposed APP Acquisition**"). The Proposed APP Acquisition is subject to regulatory approvals and other customary conditions precedent.

<sup>1</sup> Source: [Ohio Medical Marijuana Control Program](#)

<sup>2</sup> Source: [Ohio Medical Marijuana Control Program at Four Years](#).

Concurrent with the Proposed APP Acquisition, Vext and APP have entered into a definitive agreement to acquire Buckeye Botanicals, LLC, an Ohio limited liability company operating a dispensary in Jackson, Ohio operating under the name Buckeye Botanicals ("**Buckeye Botanicals**") (the "**Proposed Jackson Acquisition**"), giving Vext a second retail storefront in Ohio to further strengthen its vertical position in the state. A cash payment of approximately \$6.9 million, subject to certain customary adjustments, will be made by Vext upon closing of the Proposed Jackson Acquisition. The Company has already received approval from the Ohio Board of Pharmacy to transfer ownership of the license, and to operate under the name Herbal Wellness Center. The

Proposed Jackson Acquisition is subject to customary closing conditions precedent.

The Proposed APP Acquisition and the Proposed Jackson Acquisition (together the "**Proposed Transactions**"), are expected to close by the end of the second quarter of 2023. All currency references used in this news release are in U.S. currency unless otherwise noted.

## Transaction Highlights

Completion of the Proposed Transactions is anticipated to result in a number of benefits to Vext, including but not limited to the following:

- Gives Vext **100% ownership of a vertically integrated footprint in the attractive Ohio market** which has consistently exceeded revenue forecasts and continues to see an increased number of registered patients. Management of Vext believes the state has the potential to become a very attractive adult-use state in the future.
- **Creates a larger, diversified entity** with fully vertically-integrated cultivation, manufacturing and retail capabilities across two limited license states with significant potential.
- Will enable the Company to **introduce a broader range of Vapen products to the Ohio market at scale**. The Company's wholly-owned Vapen brand is consistently one of the top brands in the Arizona market.
- Positions Vext as a **preferred partner for out-of-market brands** looking to establish a presence in Arizona and Ohio.

## Financing

### *Ohio Loan*

Concurrently with the execution of the Purchase Agreements, Vext entered into a loan agreement with an Ohio-based lender for an aggregate loan commitment of \$10 million (the "**Ohio Loan**"). The Ohio Loan bears interest at an initial rate equal to the 5-year treasury rate + 5.00%, subject to a floor rate of 7.50%, and is secured against all of Vext's assets in the State of Ohio (including the assets of APP) and certain assets in the State of Arizona. The proceeds of the Ohio Loan are expected to be used for construction and improvements associated with AP Product's (as defined below), cultivation facility (and may be funded by Vext to AP Products pursuant to the RLOC (defined below)), and other general corporate purposes.

### *Rate Lock on Existing Credit Facility*

As [previously announced](#), Vext entered into an agreement with a California-based lender for a \$22.2 million credit facility comprised of two term loans. Effective November 7, 2022, the Company amended its arrangement with the same lender to swap the floating interest rate on the first term loan at \$17.185 million 20-year from WSJ Prime + 2.75%, with a floor price of 6.25%, to a fixed rate of 9.59%. The second term loan is a \$5 million five-year second lien secured term loan and will continue bearing interest at WSJ Prime + 2.75%, with a floor price of 6.25%.

## Ohio Footprint Highlights

Upon closing of the Proposed Transactions, Vext is expected to gain strategic access to the rapidly growing Ohio medical cannabis market through ownership of:

- An operating Tier 1 cultivation facility in Jackson, Ohio, with an initial cultivation area of up to 25,000 square feet with the potential to expand up to 50,000 square feet. As

[recently announced](#), the Company, in association with APP, has received all necessary approvals and is fully-funded to build-out this cultivation space. Vext has been advised by APP that first harvest in this facility is expected to be achieved by the first quarter of 2023.

- APP currently has a fully operational manufacturing facility in Jackson, Ohio, adequate to meet the Company's needs for the foreseeable future.
- A cannabis dispensary in Columbus, Ohio which has been operating under the name Strawberry Fields since March 2021. The Company intends to apply to the Ohio Board of Pharmacy for an ownership transfer in January 2023.
- A cannabis dispensary in Jackson, Ohio, which has been operating under the name Buckeye Botanicals. The Company has already received approval from the Ohio Board of Pharmacy to transfer ownership of the license and to operate the dispensary as Herbal Wellness Center, aligned with the Company's Arizona retail branding.

## Management Commentary and Board Update

Commenting on the Proposed Transactions, **Eric Offenberger, CEO of Vext** noted, "We have consistently viewed Ohio as the focus for the next leg of Vext's growth. Ohio is a large, growing medical market with the potential to move to adult use, and its highly regulated, vertical market structure makes the state very attractive from a long-term return on capital perspective. While the overall macro backdrop will remain challenging for many operators, Vext's track record of constantly innovating and offering a broad range of value-priced products has made Vapen one of Arizona's top brands. These acquisitions will enable us to continue translating this success over to the Ohio market through the addition of a fully operational vertical footprint with plenty of room to scale. With an unwavering focus on delivering profitability and cash flow, Vext has the foundation to grow in this environment both organically and through highly selective, accretive M&A, with an eye to driving returns and shareholder value. David and his team are strong operators with a long history in the Ohio market, and I would like to welcome them to the team."

**David Johns, Managing Director of Appalachian Pharm Processing** commented, "Ohio's medical cannabis market continues to expand and mature. The state has already exceeded revenue projections in 2022<sup>1</sup> and given its potential adult-use upside, we believe it has the capacity to become one of the most attractive markets in the country. The combination of our established cultivation, manufacturing and retail presence with Vext's experience as a profitable operator and the strength of the Vapen brands that are already available on 95% of dispensary shelves in Ohio, will enable us to establish a firm foothold in this high growth market, while being well positioned to take advantage of any regulatory developments as Ohio moves closer to adult-use. Vext has been a great partner from the beginning of our relationship, and I know I speak on behalf of our entire team when I say that we are looking forward to growing this platform together into one of the most successful operators in the Ohio market."

The Company also announced today that the Board has accepted the resignation of Mr. David Eaton from the Board effective December 15, 2022 and after the Company's Annual General Meeting. In conjunction with Mr. Eaton's departure, Mr. David Johns has been appointed to the Board, effective December 15, 2022. Mr. Johns has demonstrated experience in the services and IT industry and sits on the boards of several companies. He is currently the Managing Director of APP in Ohio, which produces THC and CBD infused medical marijuana products for patients across the state.

**Eric Offenberger, CEO of Vext** commented, "As we take this step to consolidate vertical operations in Ohio, I would like to thank David Eaton for his leadership and advice over the years and welcome David Johns to the Board. With his extensive leadership and technical experience, as well as his expertise leading APP in Ohio, David Johns is an outstanding addition to the Vext team

and Board."

### *Biography – David Johns*

Prior to joining APP, David was the SVP and CIO at Ascena Retail Group Inc, where he successfully implemented large-scale IT transformation and project efforts. Previously, David led the Global Information Technology, Global Business Shared Services and Corporate Services Sourcing functions at Owens Corning, a Fortune 500 company specializing in building materials and composite systems. He joined Owens Corning in 1994, and in this latest role as SVP and CIO, David had oversight for all Owens Corning business shared service centers, manufacturing technology, project portfolio management, sourcing and information systems. Prior to his experience at Owens Corning, David held technology positions with Honeywell, Inc. and Time Warner. In both of these roles, he orchestrated major computer systems development and management activities at both the division and corporate levels. David holds a Bachelor of Science in Computer Science Engineering from The Ohio State University and a Master of Business Administration from the University of Dayton. David was a scholarship athlete while at The Ohio State University. He was inducted into the CIO Hall of Fame in 2009 and was named one of Computerworld's Premier 100 information technology leaders for 2012.

## **Terms of the Proposed Transactions**

### *Proposed APP Acquisition*

Pursuant to the Purchase Agreements, Vext, through its wholly-owned subsidiary, Vapen Ohio, LLC ("**Vapen Ohio**"), will acquire all of the outstanding membership interests (not already owned by Vext) of each of Appalachian Pharm Processing, LLC, Appalachian Pharm Products, LLC ("**AP Products**") and APP1803, LLC ("**APP1803**") for aggregate consideration of approximately \$12.5 million, consisting of:

- an aggregate of \$750,000 in cash paid upon execution of the Purchase Agreements and a further \$1,250,000 in staged payments on or before January 6, 2023;
- an aggregate of \$3.0 million principal amount of unsecured promissory notes (the "**Initial Promissory Notes**") issued by Vapen Ohio upon execution of the Purchase Agreements;
- an aggregate of approximately \$6 million principal amount of unsecured promissory notes (the "**Closing Promissory Notes**") to be issued by Vapen Ohio on the earlier of (i) closing of the Proposed APP Acquisitions and (ii) January 1, 2023; and
- an aggregate of 8,999,989 Common Shares, at a deemed price of \$0.156 per share, issued upon execution of the Purchase Agreements (the "**Share Consideration**").

The Initial Promissory Notes bear simple interest, from the date of issuance, at a rate of 8% per annum and the outstanding principal plus accrued interest shall be repaid six months after closing of the Proposed APP Acquisition. The Closing Promissory Notes will bear simple interest, from the date of issuance, at a rate of 8% per annum, and will be subject to interest only payments for a period of two years from the date of issuance and thereafter, will require quarterly payments of principal and interest on a 20 year amortization schedule and will mature on December 31, 2026.

In connection with execution of the Purchase Agreements, Vext converted the outstanding \$4 million loan payable by APP1803 for a 50% economic interest and 48% voting interest in APP1803 and such loan was thereafter terminated in accordance with its terms.

Pursuant to the Purchase Agreements, Vext also entered into a management services agreement (the "**MSA**") and revolving line of credit agreement (the "**RLOC**") with AP Products. Under the MSA,

Vext will provide certain management, staffing, administrative and other services to AP Products prior to completion of the Proposed APP Acquisition in consideration of a service fee of a minimum of US\$50,000 per month, plus an additional amount determined based on the weight of medical marijuana cultivated and produced by AP Products for such month and reimbursements of the Vext's costs and expenses in connection with the MSA. Under the RLOC, Vext has agreed to provide AP Products with up to \$15 million in funding (including, for greater certainty, all outstanding amounts previously funded by Vext in connection with Vext's joint venture arrangement with APP) to be used by AP Products for the build out and operations of AP Product's cultivation facility. The loans under the RLOC accrue simple interest at the rate of 8% per annum and will be subject to interest only monthly payments beginning January 31, 2024, and thereafter, will be repayable in full on the earlier of (i) 48 months after the last advance and (ii) 12 months after termination of the Purchase Agreement with respect to AP Products.

The Proposed APP Acquisition is subject to certain customary conditions precedent, including without limitation, receipt of all necessary regulatory approvals, and is expected to close by the end of the second quarter of 2023 and, pending receipt of regulatory approvals, may close in one or more closings. Copies of the Purchase Agreements will be filed on Vext's issuer profile on SEDAR at [www.sedar.com](http://www.sedar.com).

### *Proposed Jackson Acquisition*

Jackson Pharm, LLC ("**Jackson Pharm**"), a wholly owned subsidiary of Vext, entered into definitive agreements to acquire one hundred percent (100%) of the membership interest in Buckeye Botanicals (collectively, with all ancillary transaction documents, the "**Buckeye Botanicals Purchase Agreements**") for aggregate consideration of \$6.9 million, which will be paid from a portion of Vext's newly acquired financing commitment.

Pursuant to the Buckeye Botanicals Purchase Agreements, Jackson Pharm submitted regulatory transfer documents to transition one hundred percent (100%) of the membership interests of Buckeye Botanicals to Jackson Pharms with the Ohio Board of Pharmacy, including the management and control rights to the underlying medical marijuana dispensary license allocated to Buckeye Botanicals (collectively, the "**Regulatory Transfer**").

On or about December 12, 2022, the Ohio Board of Pharmacy officially approved the Regulatory Transfer and issued a Certificate of Operation to Jackson Pharm authorizing it to operate the Buckeye Botanicals medical marijuana dispensary under the name "Herbal Wellness Center" in Jackson, Ohio, giving Vext one hundred percent (100%) ownership and management and control rights to the underlying medical marijuana dispensary license. In connection with the Regulatory Transfer, Vext, through Jackson Pharms, will perfect its control through a negotiated two-week plan of transition with a target completion date of on or about January 2, 2023, for purposes of performing final inventory reconciliation, converting systems, making operational adjustments, installing signage, and other related matters. Following the completion of the transition plan, Vext is anticipating to launch Buckeye Botanicals as a new Herbal Wellness Center dispensary on or about January 3, 2023. Closing of the Proposed Jackson Acquisition is subject to certain customary conditions precedent, including without limitation, payment of the \$6.9 million cash consideration, subject to customary adjustments.

### **About the Ohio Market**

Ohio is the seventh largest state in the U.S., with approximately 11.7 million residents. The Ohio medical cannabis program is a limited license market with distinct licenses for cultivation, processing, and retail. As of October 31, 2022, the Ohio Medical Marijuana Control Program reported over 317,018 registered medical patients, and as of November 27, 2022 the state generated approximately \$1.09 billion in total medical cannabis product sales. As of November 2022, there are currently 131 operational dispensaries, 37 operating cultivators, and 46 operating processing

facilities across the state<sup>3</sup>.

<sup>3</sup> Source: <https://medicalmarijuana.ohio.gov/Documents/ProgramUpdate/programf%20update.pdf> (accessed December 15, 2022)

## Fairness Opinion

The Company's board of directors (the "**Board**") received a fairness opinion from Eight Capital that, as of the date of such opinion, and based upon and subject to the assumptions, limitations and qualifications set forth therein, the consideration to be paid by Vext pursuant to the Agreements is fair, from a financial point of view, to the Company.

## Advisors

Eight Capital acted as financial advisor to Vext and its board of directors. McMillan LLP and Bianchi & Brandt acted as legal counsel to Vext. Gordon Bibart, LLC acted as legal counsel to APP.

## About Vext Science, Inc.

[Vext Science, Inc.](#) is a US-based Cannabis THC and Hemp cannabinoid products company manufacturing THC cartridges, concentrates, edibles and accessories under the Vapen™ Brand, and Hemp based products under the Pure Touch Botanicals brand as well as the Vapen CBD brand. Based in Arizona, Vext Science, Inc. has one of the leading THC concentrates, edibles, and distillate cartridge brands sold in most of the state's 100+ dispensaries. Herbal Wellness Center is one of Arizona's leading dispensaries and we execute all aspects of the cultivation, extraction, edibles infusion and manufacturing processes which ensures a product of the highest quality and purity. Product quality and purity are core to our marketing strategy. Vext Science, Inc. is executing its business growth by leveraging experience and expertise in extractions, product manufacturing, and marketing to expand in the U.S. through revenue and profit-sharing joint venture partnerships. For more information visit our website at [www.VextScience.com](http://www.VextScience.com).

For more details on the Vapen brand:

Vapen website: [VapenBrands.com](http://VapenBrands.com)

Instagram: [@vapen](#)

Facebook: [@vapenbrands](#)

For more details, visit Vext's [investor website](#) or contact the IR team at [investors@vextscience.com](mailto:investors@vextscience.com).

## Forward Looking Statements

Statements in this news release that are forward-looking statements are subject to various risks and uncertainties concerning the specific factors disclosed here and elsewhere in Vext's periodic filings with Canadian securities regulators. When used in this news release, words such as "will, could, plan, estimate, expect, intend, may, potential, believe, should," and similar expressions, are forward-looking statements.

Forward-looking statements may include, without limitation, statements related to the Proposed Transactions, including the anticipated closing date and receipt of regulatory approvals, use of proceeds of the Ohio Loan, future developments and the business and operations of VEXT, market projections of the cannabis industry in Ohio, and the Company's business plans in Ohio, all of which are subject to the risk factors contained in Vext's continuous disclosure filed on SEDAR.

Although Vext has attempted to identify important factors that could cause actual results, performance or achievements to differ materially from those contained in the forward-looking statements, there can be other factors that cause results, performance or achievements not to be as anticipated, estimated or intended, including, but not limited to: dependence on obtaining

regulatory approvals; being engaged in activities currently considered illegal under U.S. Federal laws; change in laws; reliance on management; requirements for additional financing; competition; hindered market growth and state adoption due to inconsistent public opinion and perception of the medical-use and adult-use marijuana industry and; regulatory or political change.

There can be no assurance that such information will prove to be accurate or that management's expectations or estimates of future developments, circumstances or results will materialize. Because of these risks and uncertainties, the results or events predicted in these forward-looking statements may differ materially from actual results or events.

Accordingly, readers should not place undue reliance on forward-looking statements. The forward-looking statements in this news release are made as of the date of this release. Vext disclaims any intention or obligation to update or revise such information, except as required by applicable law, and Vext does not assume any liability for disclosure relating to any other company mentioned herein.

This news release does not constitute an offer to sell or a solicitation of an offer to sell any of the securities in the United States. The securities 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 state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

**The Canadian Securities Exchange has not reviewed, approved or disapproved the content of this news release.**

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