

# Canbud Distribution Enters Into Definitive Agreement to Acquire Steep Hill, Inc.

Toronto, Ontario--(Newsfile Corp. - December 8, 2021) - Canbud Distribution Corp. (CSE: CBDX) ("**Canbud**" or the "**Corporation**") is pleased to announce that, further to its news release of August 9, 2021, it has entered into a definitive merger agreement (the "**Merger Agreement**") with Steep Hill, Inc. ("**Steep Hill**") and Canbud Merger Sub, Inc. ("**Subco**"), a wholly-owned subsidiary of Canbud, on December 7, 2021 pursuant to which it agreed to acquire all of the outstanding securities of Steep Hill by way of a triangular merger (the "**Transaction**"). The Transaction is subject to receipt of all necessary regulatory approvals and certain other conditions as described below.

## About Steep Hill Inc.

Steep Hill is a leading cannabis science company with significant footprints in lab testing and research and development. Steep Hill's foundation was built on testing and analyzing medical and recreational cannabis to ensure compliance with current safety standards. In 2008, Steep Hill opened the first commercial cannabis lab in the United States. With the goal of helping the rest of the world adopt "best practices" in cannabis testing, the Steep Hill also provides expert consulting services in the United States and elsewhere in the world.

## The Transaction

Under the terms of the Merger Agreement, the parties agreed to complete the Transaction, pursuant to which Subco will merge with Steep Hill under the *Delaware General Corporation Law* and continue as a new corporation, wholly-owned by Canbud, and the holders of shares of Steep Hill (the "**SH Shares**") immediately prior to the merger will receive 0.096 of a common share of Canbud (each, a "**Canbud Share**") for each SH Share, or an aggregate of 82,000,000 Canbud Shares, in exchange for their SH Shares. In addition, upon closing of the Transaction, the Corporation will issue 2,870,000 Canbud Shares as an advisory fee (the "**Advisory Fee Shares**").

Upon closing of the Transaction, the holders of SH Shares prior thereto are expected to own approximately 34.01% of the outstanding Canbud Shares on a non-diluted basis and before giving effect to the issuance of any Advisory Fee Shares. The Canbud Shares issued in exchange for SH Shares will be subject to resale restrictions, such that the holders thereof will be permitted to trade 25% of such Canbud Shares on the date that is four months from the closing date of the Transaction, and a further 25% of such Canbud Shares on the dates that are seven, 10 and 13 months after the closing date.

Upon closing of the Transaction, all directors of Steep Hill are expected to resign, while key Steep Hill management personnel are expected to continue in their respective positions of the merged entity carrying on the business of Steep Hill.

Completion of the Transaction is subject to a number of conditions, including, without limitation, the following:

- receipt of the required approval for the Transaction from the shareholders of Steep Hill;
- receipt of all applicable regulatory approvals;
- there having been no acquisitions or disposals (other than in the ordinary course of business), no debt or equity capital raisings (excepting for the Corporation), no new material contracts (excepting for the Corporation) or related party transactions and no loss of any material license;
- if shareholders of Steep Hill holding 5% or more of the Steep Hill Shares have exercised dissent and appraisal rights with respect to the merger of Steep Hill and Subco;
- no material adverse change affecting Steep Hill or the Corporation;
- Steep Hill having positive net working capital, cash of at least US\$100,000 and debt of not more

than US\$500,000;

- Canbud not paying more than \$150,000 in cash consideration in connection with the Transaction; and
- other customary closing conditions.

Steve Singh, CEO of Canbud stated: "The Steep Hill combination represents a key growth strategy for Canbud to expand into the United States and Mexico. Coupled with the acquisition of Molecular Science Corp. in July, Canbud is now well-positioned to be a leading participant in the cross-border analytical testing services industry. With the potential for federal deregulation in the United States, Canbud will be uniquely situated to partner with Canadian and U.S. Multi-State Operators ("MSOs") to provide regulatory and consumer safety testing services. Given the extensive geographic footprint of Steep Hill, combined with the strong technical expertise across the combined company, we have laid the foundation for a strong and sustainable business model."

Nigel Stobart, CEO of Steep Hill, added: "We are pleased to join with Canbud to address what both companies believe to be an incredibly attractive global cannabis testing market. Not only will Canbud provide financial resources to accelerate Steep Hill's continued geographic expansion, it will also provide Steep Hill's existing and future licensees with a global platform of plant-based science leadership. Steep Hill currently has licensee partnerships in 11 territories across the U.S. and Mexico, and we look forward to expanding that footprint upon completion of the Transaction. Canbud recognizes the value of the Steep Hill brand name in the cannabis testing marketplace, and we are pleased that it will continue on after the Proposed Transaction."

The Transaction is an arms' length transaction for the Corporation and, if completed, will not constitute a fundamental change or result in a change of control of the Corporation, within the meaning of the policies of the Canadian Securities Exchange.

**Completion of the Transaction is subject to a number of conditions, including the approval of the merger by Steep Hill's shareholders. There can be no assurance that the transaction will be completed as proposed or at all.**

### **About Canbud Distribution Corp.**

Canbud is an early-stage science and technology company focused on providing products and services within the hemp and cannabis space. The Company's focus is on two strategic initiatives: (i) Science and technology - to provide science-backed differentiated products and services that are critical within the sector, and (ii) Quality and compliance - to ensure all products and services meet the highest standards of quality, safety and adherence to compliance standards and requirements.

### **Notice Regarding Forward-Looking Information**

*The information in this news release includes certain information and statements about management's view of future events, expectations, plans and prospects that constitute forward looking statements. Forward looking statements in this news release include, but are not limited to, management's expectations with respect to the potential of the Transaction to contribute to the Corporation's growth potential and strategy, and its ability to generate revenue and the completion of the Transaction. These statements are based upon assumptions that are subject to significant risks and uncertainties, including assumptions that all conditions to closing of the Transaction will be satisfied, that the Transaction will be completed and assumptions about the operations, financial condition and future performance of Steep Hill and the Corporation. Although the Corporation considers these assumptions to be reasonable based on information currently available to them, they may prove to be incorrect, and the forward looking statements in this news release are subject to numerous risks, uncertainties and other factors that may cause future results to differ materially from those expressed or implied in such forward-looking statements. Such risk factors may include, among others, the risk that required approvals and the satisfaction of material conditions have not been*

*obtained in connection with the Transaction, and the risk that the Transaction is not approved or completed on the terms set out in the definitive agreement between the parties. Although the Corporation's management believes that the expectations reflected in forward looking statements are reasonable, the Corporation can give no assurances that the expectations of any forward looking statements will prove to be correct. Except as required by law, the Corporation disclaims any intention and assume no obligation to update or revise any forward looking statements to reflect actual results, whether as a result of new information, future events, changes in assumptions, changes in factors affecting such forward looking statements or otherwise.*

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