

Sprout AI Announces Definitive Agreement for Amalgamation with TheraCann International Benchmark Corporation

Sprout AI and TheraCann International Benchmark Corporation, A Landmark Amalgamation, Expanding Capabilities & Accelerating Growth in Vertical Farming Industry.

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/EINPresswire.com/ -- [Sprout AI](#) Inc. (CSE: BYFM) ("Sprout AI" or the "Company"), a technology company in the vertical farming industry, is pleased to announce that on May 29th, 2023 they executed a definitive agreement (the "Definitive Agreement") with [TheraCann International Benchmark Corporation](#) ("TheraCann") and Sprout AI S.A., a wholly-owned subsidiary of Sprout ("Subco"), whereby the Company will acquire all of the issued and outstanding shares of TheraCann pursuant to a three-cornered amalgamation pursuant to the laws of Panama as further detailed below (the "Transaction").

TheraCann is a Panamanian-incorporated entity that specializes in providing turnkey cultivation and technology solutions.

The Transaction will constitute a "Fundamental Change" of the Company as defined by Canadian Securities Exchange ("CSE") policies and is subject to receipt of approval of the CSE.

The Transaction

The logo for Sprout AI, featuring the word "Sprout" in a green, sans-serif font, followed by "AI" in a white, sans-serif font inside a dark grey circle. Below the logo is the tagline "Beyond Farming" in a smaller, grey, sans-serif font.

TheraCann
BenchmarkSOLUTION

Pursuant to the Definitive Agreement:

(i) Sprout AI will complete a consolidation of its issued and outstanding common shares (the "Consolidation") on the basis of one post-Consolidation common share (a "Sprout Share") for every 3.333 outstanding pre-Consolidation Sprout Shares;

(ii) following the Consolidation, Sprout AI will acquire all of the issued and outstanding common shares of TheraCann (the "TheraCann Shares") and each of the shareholders of TheraCann (the "TheraCann Shareholders") will receive 5.296 post-Consolidation Sprout Shares in exchange for each TheraCann Share held (the "Exchange Ratio"); additionally, all outstanding convertible securities in TheraCann will be adjusted in accordance with their terms such that, upon exercise or conversion, the holder will receive post-Consolidation Sprout Shares in lieu of TheraCann Shares, subject to the Exchange Ratio of 70/30 in favor of TheraCann;

(iii) Subco and TheraCann will amalgamate to form an amalgamated entity ("Amalco"), which will become a wholly-owned subsidiary of Sprout AI; and

(iv) Sprout AI will change its name to "TheraCann Beyond Farming Inc." or such other similar name as the parties may agree to (the "Name Change").

TheraCann is a "control person" of Sprout AI and currently holds 48,211,347 Sprout Shares, representing 53% of the issued and outstanding Sprout Shares (the "Related Sprout Shares"). As such, the proposed Transaction will constitute a "related party transaction" pursuant to the provisions of Multilateral Instrument 61-101—Protection of Minority Security Holders in Special Transactions ("MI 61-101"), and will therefore require Sprout AI to seek "minority approval" from each of Sprout AI's shareholders (other than those shareholders required to be excluded pursuant to MI 61-101) ("Minority Shareholder Approval") at its special meeting expected to be held in July 2023. As Sprout AI is a company listed on the CSE, it is exempt from the formal valuation requirements of MI 61-101 pursuant to the exemption contained in section 5.5(b) of MI 61-101 on the basis that no securities of Sprout AI are listed or quoted on the markets specified therein.

Immediately prior to completion of the Transaction, all convertible debentures of TheraCann are anticipated to convert into approximately 1.71 million TheraCann Shares (the "TheraCann Debenture Conversion"), which shares will be exchanged at the Exchange Ratio for approximately 9.04 million post-Consolidation Sprout Shares. In connection with the Transaction, TheraCann will also distribute the Related Sprout Shares to the TheraCann Shareholders, on a pro rata basis, based on the TheraCann Shares then held by such shareholders.

Upon completion of the Transaction, it is anticipated that:

- Sprout AI will issue approximately 63.68 million post-Consolidation Sprout Shares as

consideration for the acquisition of the TheraCann Shares (including the Sprout Shares issuable in exchange for TheraCann Shares to be issued on the TheraCann Debenture Conversion);

- there will be approximately 90.97 million post-Consolidation Sprout Shares outstanding at closing;
- there will be common share purchase warrants outstanding to purchase approximately 13.98 million post-Consolidation Sprout Shares at \$0.25 per share until the date that is 18 months from the completion of the Transaction; and
- Sprout AI (the "Resulting Issuer") will carry on the combined business of Sprout AI and TheraCann with the aim of achieving the benefits and objectives set out below.

Completion of the Transaction is subject to a number of closing conditions, including the completion of the Consolidation, completion of the Name Change, the receipt of Minority Shareholder Approval from the Sprout AI shareholders, the receipt of shareholder approval from the TheraCann Shareholders, and approval of the CSE. There can be no assurance that the proposed Transaction or other transactions or events described in this news release will be completed as proposed or at all.

Intended Benefits of the Transaction

- **Access to New Capabilities and Resources:** Upon completion of the Transaction, it is anticipated that the Resulting Issuer will have access to TheraCann's extensive network, technology solutions, and resources, which the Company believes will assist it in scaling its operations, improving its operational efficiency and accelerating its growth trajectory.
- **Strength in Research and Development:** The parties intend for the Resulting Issuer to deploy a new research and development division, with the aim of fostering continuous innovation and the development of progressive farming technologies, genetics, and cultivation practices.

Post-Transaction Integration Plans:

- **Leveraging Expertise:** Sprout AI and TheraCann intend to integrate their talented teams, promoting knowledge exchange and collaboration to drive innovation and optimize production processes.
- **Vertical Farming Expansion:** The parties intend for the Resulting Issuer to further expand its vertical farming operations, introducing new cultivation sites and increasing production capacity to meet growing market demand for sustainable, locally grown produce.
- **Market Penetration:** The parties intend for the Resulting Issuer to focus on strengthening customer relationships, capturing new market segments, and expanding its reach through strategic partnerships and alliances.
- **Advanced Technology Integration:** The parties intend for the Resulting Issuer to leverage TheraCann's technology solutions, with the aim of enhancing its monitoring and automation capabilities, optimizing resource utilization and improving crop quality and yield.

According to Carlos Zapata, the COO of Sprout AI, "The execution of the Definitive Agreement between Sprout AI and TheraCann represents a pivotal moment for our Company. Merging will allow us to combine our passion for sustainable agriculture and expertise in vertical farming. Additionally, we are eager to leverage TheraCann's established footprint in the turnkey cultivation sector with the aim of driving growth and innovation."

"We are thrilled as the execution of the Definitive Agreement with TheraCann marks a significant milestone in our journey towards transforming our business. By combining our respective strengths and expertise, we aim to leverage synergies and unlock new opportunities that can propel us to the forefront of innovation. We believe our commitment to success, coupled with the integration of our capabilities and resources, positions us strongly for the future as we aim to drive growth and deliver progressive solutions," notes Chris Bolton, the CEO and Chairman of Sprout AI.

Sprout AI is committed to advancing the vertical farming industry and fostering continued growth and innovation in the future. Follow Sprout AI on social media.

Trading in the Sprout Shares

Trading in the Sprout Shares will be halted as a result of this announcement. Trading in the Sprout Shares will remain halted pending the review of the proposed Transaction by the CSE. There can be no assurance that trading in the Sprout Shares will resume prior to the completion of the Transaction.

About TheraCann

TheraCann is a global provider of turnkey cultivation and technology solutions. With a focus on compliance, quality, and consistency, TheraCann's comprehensive suite of products and services supports agricultural companies throughout the entire cultivation lifecycle. TheraCann is dedicated to advancing the vertical farming industry through progressive technology and industry expertise.

About Sprout AI

Sprout AI is a technology company in the business of planning, designing, manufacturing and/or assembling scalable AI-controlled vertical cultivation equipment for international urban farming. The adaptive technology produces an environment with improved growing parameters and early detection of adverse conditions resulting in consistent and repeatable crops, with shorter cultivation cycles, independent of geographic climates. The self-contained multi-level rolling rack technology increases the cubic cultivation area while mitigating the risk of outside and cross-contaminants.

For more information about Sprout AI, please visit our website: <http://sproutai.solutions>

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

Forward Looking Information

This news release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. These statements relate to future events or future performance. All statements other than statements of historical fact may be forward-looking statements or information. More particularly and without limitation, this news release contains forward-looking statements and information relating to the completion of the Consolidation, the completion of the Transaction, the holding and the timing of the Sprout AI shareholders meeting, the Company's intention to seek Minority Shareholder Approval, the expectation that the outstanding convertible debentures of TheraCann will convert to TheraCann Shares and TheraCann's intention to distribute the Related Sprout Shares to the TheraCann Shareholders, in each case, prior to completion of the Transaction, the conditions to completing the Transaction, the completion of the TheraCann Debenture Conversion, the anticipated number of post-Consolidation Sprout Shares to be issued as consideration for the acquisition of the TheraCann Shares, the anticipated number of post-Consolidation Sprout Shares to be outstanding at closing, the anticipated number of common share purchase warrants to be outstanding at closing, the receipt of regulatory, shareholder and exchange approvals, future plans and business objectives of the Resulting Issuer, the expected benefits of the Transaction, the expectation that that the Resulting Issuer will have access to TheraCann's extensive network, technology solutions, and resources and the resulting benefits, the intention that the Resulting Issuer will deploy a new research and development division and the related goals, the intention for the Resulting Issuer to further expand its vertical farming operations, focus on strengthening customer relationships, capture new market segments, and expand its reach through strategic partnerships and alliances.

The forward-looking statements and information are based on certain key expectations and assumptions made by management of the Company including, without limitation: that all conditions required for the Transaction will be fulfilled, that the Company will be able to obtain receipt of all shareholder, regulatory and third party approvals required for the Transaction, that TheraCann will receive all consents required to complete the TheraCann Debenture Conversion

as anticipated, that the Company will issue the anticipated number of securities as consideration for the TheraCann Shares, that the number of issued and outstanding securities of the Resulting Issuer will be as currently anticipated by the parties, that COVID-19 will not materially impact the consummation of the Transaction or the businesses or personnel of Sprout AI and TheraCann, that general business and economic conditions will not change in a material adverse manner, that financing will be available if and when needed on reasonable terms, that the parties will be able to successfully combine their respective businesses and leverage their synergies, that the Transaction will have the expected benefits, and that the Resulting Issuer will be able to grow and improve its operations and performance as expected. As a result, there can be no assurance that the proposed Transaction or related matters will be completed as proposed or at all. Although management of the Company believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward-looking statements and information since no assurance can be given that they will prove to be correct.

Forward-looking statements and information are provided for the purpose of providing information about the current expectations and plans of management of the Company relating to the future. Readers are cautioned that reliance on such statements and information may not be appropriate for other purposes, such as making investment decisions. Since forward-looking statements and information 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.

These include, but are not limited to:

- there is no assurance that Sprout AI and TheraCann will obtain all requisite approvals for the Transaction, including the approval of the shareholders of Sprout AI, or the approval of the CSE for the Transaction (which may be conditional upon amendments to the terms of the Transaction);
- following the completion of the Transaction, the Resulting Issuer may require additional financing from time to time in order to continue its operations. Financing may not be available when needed or on terms and conditions acceptable to the Resulting Issuer;
- TheraCann may not obtain all required consents to complete the TheraCann Debenture Conversion, as anticipated or at all;
- there may be unanticipated changes in the capitalization of Sprout AI or TheraCann which impact the number of securities that will be issued by Sprout AI as consideration for the TheraCann Shares and the number of securities that will be issued and outstanding at the closing of the Transaction;
- COVID-19 could cause material delays in the consummation of the Transaction;
- unanticipated costs and expenses;
- new laws or regulations could adversely affect the Resulting Issuer's business and results of operations;
- the stock markets have experienced volatility that often has been unrelated to the performance of companies. These fluctuations may adversely affect the price of the Resulting Issuer's securities, regardless of its operating performance;

- the loss of key personnel;
- the failure of the parties to successfully combine their respective businesses and benefit from the Transaction as anticipated;
- the Resulting Issuer's failure to raise further capital upon terms acceptable to the Resulting Issuer or at all; and
- the Company's failure to continue operations if the Transaction is not completed.

Accordingly, readers should not place undue reliance on the forward-looking statements and information contained in this news release. Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements and information contained in this news release are made as of the date hereof and no undertaking is given to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, unless so required by applicable securities laws. The forward-looking statements or information contained in this news release are expressly qualified by this cautionary statement.

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