

Thoughtful Brands Inc.

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Thoughtful Brands moves into production of hemp extractions with proposed acquisition of American CBD Extraction

Thoughtful Brands Inc (CSE:TBI) (OTCQB:PEMTF) (FRA:1WZ1) is acquiring American CBD Extraction Corp and its Kentucky-based subsidiary East Kentucky Extractions LLC in a deal estimated to be worth around C\$13.1 million, it said Wednesday evening.

American CBD produces high-grade hemp-derived CBD oil for the US market from its 41,000-square foot facility in Kentucky capable of producing over 1,200 pounds of hemp per day.

The deal will set up Thoughtful Brands to become a vertically integrated CBD retailer with control over its supply chain, including production and logistics.

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In a statement, Vancouver-based Thoughtful Brands said that its CBD brands will utilize hemp-derived CBD extracted by American CBD's operations, which will reduce product costs, and launch new CBD brands that the company extracts and produces in-house.

Thoughtful Brands will also develop new, proprietary finished hemp-CBD products and formulate products for future clients, as well as becoming a wholesale supplier of hemp biomass.

The acquisition of American CBD marks a "new era" for Thoughtful Brands, CEO Ryan Dean Hoggan told investors.

"By having the ability to produce hemp extractions ourselves, we can ensure the quality of our brands and products more confidently than ever before, while also being in a prime position to reduce operating costs, expand sales and drive product innovation," Hoggan said in a statement.

Three-cornered amalgamation

The deal is a "three-cornered" amalgamation whereby a Thoughtful Brands subsidiary agreed to amalgamate with American CBD to form a single corporation that will act as a subsidiary to Thoughtful Brands. In exchange, Thoughtful Brands will issue 110 million shares (valued at C\$0.08 at Wednesday's market close) to American CBD shareholders on a pro-rata basis.

In connection with the closing of the transaction, Thoughtful Brands will enter into an operating agreement with 9112-7258 Quebec Inc to operate the American CBD assets in Jenkins, Kentucky in exchange for C\$1.3 million comprised of 13 million shares of Thoughtful Brands. Additionally, the operator will be entitled to a C\$2 million milestone payment from Thoughtful Brands once it achieves cumulative sales of over US\$1 million from the Kentucky facility or it

Price: 0.055

Market Cap: \$13.57 m

1 Year Share Price Graph



January 2020 July 2020 January 2021

Share Information

Code: TBI

Listing: CSE

52 week High Low
0.295 0.05

Sector: Cannabis

Website: thoughtful-brands.com

Company Synopsis:

Thoughtful Brands Inc. is an eCommerce technology company that develops, produces and markets natural health products through various brands in North America and Europe utilizing its proprietary direct-to-consumer platform. Through continuous strategic acquisitions, the company has a strong footprint in the CBD and nutraceutical product markets.

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enters into a wholesale supply agreement with a third party at a price less than the manufacturing cost of a similar product by the company. The milestone payment will be settled in shares valued at the five-day volume-weighted average price of the firm's shares immediately prior to the milestone payments becoming payable.

Conditional deal

The deal's closing is subject to a number of conditions, including:

- American CBD having a minimum of C\$2.25 million in immediately available cash-in-hand less costs related to the transaction (which are not to exceed C\$40,000)
- the debts and liabilities of American CBD not exceeding C\$250,000 on a consolidated basis, other than the costs related to the transaction (which shall not exceed C\$40,000) and any audit-related costs
- all outstanding securities of American CBD convertible into shares of American CBD having been cancelled
- the time period for the exercise of any dissent rights of American CBD shareholders having expired, and shareholders of American CBD not having exercised such dissent rights
- C\$300,000 having been sent to a bank account of American CBD or a subsidiary
- the delivery of certain documents by each party

Thoughtful Brands will also pay an administrative fee of 1.1 million shares to a consultant who assisted with the transaction.

Separately, the firm also said it had settled a US\$100,000 debt to Justus Consulting Inc via the issuance of 1.327 million shares priced at C\$0.10.

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