

SecureCom Mobile Inc.

CSE : SCE
CSE : SCE.CN



April 04, 2017 16:45 ET

SecureCom Mobile and DFMMJ Investments Announce Definitive Agreement for Business Combination and Concurrent Financing With Strategic Lead Investments From Aphria and Serruya Private Equity

TORONTO, ONTARIO--(Marketwired - April 4, 2017) - <http://www.marketwired.com/press-release/securecom-mobile-dfmmj-investments-announce-definitive-agreement-business-combination-cse-sce-2207805.htm>

THIS DOCUMENT MAY NOT BE DISTRIBUTED OR RELEASED IN THE UNITED STATES OR THROUGH U.S. NEWSWIRE SERVICES.

SecureCom Mobile Inc. ("**SecureCom**" or the "**Company**") (CSE:SCE)(CSE:SCE.CN) is pleased to announce that it has entered into a definitive arm's length transaction agreement (the "**Agreement**") dated April 4, 2017 with DFMMJ Investments Ltd., a private holding company incorporated under the laws of British Columbia ("**Holdco**") whereby Holdco will amalgamate with a direct wholly-owned subsidiary of SecureCom ("**Subco**") to become a direct, wholly-owned subsidiary of SecureCom (the "**Business Combination**"). Upon completion of the Business Combination, SecureCom will remain as the resulting issuer (the "**Resulting Issuer**").

Assuming completion of the Business Combination, the Resulting Issuer will combine its business with Holdco under the new name "Liberty Health Sciences Inc." (the "**Name Change**") doing business as "Aphria USA". It is expected that the Resulting Issuer will, upon completion of the Business Combination, have its common shares listed and posted for trading on the Canadian Stock Exchange (the "**Exchange**" or the "**CSE**").

In connection with the Business Combination, Aphria Inc. (TSX:APH) ("**Aphria**") has today agreed to subscribe for 120,192,308 common shares in the capital of Holdco (each a "**Holdco Share**") for aggregate gross proceeds of \$25 million (the "**Aphria Investment**").

SecureCom and Holdco are also pleased to announce the signing of an engagement letter with Clarus Securities Inc. (the "**Agent**") pursuant to which, prior to the completion of the Business Combination, Holdco will complete an equity private placement financing (the "**Private Placement**") of up to 168,269,231 subscription receipts (the "**Subscription Receipts**") of Holdco at a price of \$0.208 per Subscription Receipt for gross proceeds of \$35 million, and together with the Aphria Investment, an aggregate total of \$60 million. The Private Placement will include a strategic lead investment from Serruya Private Equity.

The proceeds of the Aphria Investment and the Private Placement, together with available cash on hand from SecureCom, will be used to fund, in part, the acquisition (the "**Acquisition**") by DFMMJ Investments, LLC, a company founded and controlled by the Delavaco Group, of all or substantially all of the assets of Chestnut Hill Tree Farm LLC ("**Chestnut**"), a limited liability company existing under the laws of the State of Florida. The Acquisition will be completed pursuant to the terms of definitive asset purchase agreement dated March 30, 2017. The Acquisition remains subject to the satisfaction of customary closing conditions, including completion of due diligence investigations to the satisfaction of Holdco.

Completion of the Business Combination is subject to certain conditions including the approval of SecureCom's shareholders and is expected to close in the second quarter of this year. SecureCom anticipates filing a management information circular or filing statement (the "**Circular**") detailing certain matters relating to the Business Combination and other related matters in the future to be mailed to SecureCom shareholders. Trading in the common shares of SecureCom (the "**SecureCom Shares**") will be halted as a result of this announcement and will remain halted until the resumption of trading is approved by the CSE.

About the Parties:

SecureCom currently develops and markets consumer software and hardware encryption communications products for mobile phones, tablets, and computer-based platforms. Subject to completion of the Business Combination, SecureCom will combine its business with Holdco and thereafter be engaged in the business of the cultivation and harvesting of marijuana in certain permitted state jurisdictions in the United States.

Aphria, a licensed producer under the *Access to Cannabis for Medical Purposes Regulations* is one of Canada's lowest cost producers and produces, supplies and sells medical cannabis. Located in Leamington, Ontario, the greenhouse capital of Canada, Aphria is truly powered by sunlight, allowing for the most natural growing conditions available. Aphria is committed to providing pharma-grade medical cannabis and superior patient care while balancing patient economics and returns to shareholders. Aphria is the first public licensed producer in Canada to report positive cash flow from operations and the first to report positive earnings in consecutive quarters. Chestnut is a limited liability company existing under the laws of the State of Florida. It has operated for more than 30 years as a chestnut tree nursery. In addition, Chestnut is a licensed holder in the State of Florida as an authorized dispensing organization of low-THC medical cannabis to patients in need.

Private Placement:

It is expected that each Subscription Receipt issued under the Private Placement will entitle the holder thereof, upon deemed exercise following satisfaction of the Escrow Release Conditions (as defined below) to receive one common share (a "**Subscription Share**") of Holdco and, upon completion of the Business Combination, and for no additional consideration, one common share of the Resulting Issuer (a "**Resulting Issuer Share**").

The gross proceeds from the Private Placement, less the Agent's commission, fees, and estimated costs and expenses in respect of the Private Placement, will be held in escrow pending the satisfaction of: (i) all conditions precedent to the Business Combination (including completion of the Acquisition) being satisfied or waived in accordance with the terms of the Agreement; and

(ii) the acceptance from the Exchange to list the Resulting Issuer Shares on the Exchange (collectively, the "**Escrow Release Conditions**").

Upon satisfaction of the Escrow Release Conditions, the Subscription Receipts will be deemed to be exercised, for no additional consideration, for the Subscription Shares of Holdco and, upon completion of the Business Combination, and for no additional consideration, a Resulting Issuer Share. In the event the Business Combination does not occur on or before July 31, 2017, it is expected that the gross proceeds of the Private Placement will be returned to the purchasers pro rata without any deduction or interest and the Subscription Receipts will be automatically cancelled without any further action by the holders thereof.

Pursuant to the terms of the engagement letter with the Agent, Holdco has agreed to pay to the Agent, along with the reasonable expenses of the Agent, a cash commission equal to six percent (6%) of the gross proceeds raised in the Private Placement, excluding the proceeds raised in connection with the sale of Subscription Receipts to certain purchasers introduced to the Agent by Holdco (each a "**President's List Purchaser**").

In addition, the Agent will receive broker warrants (the "**Broker Warrants**") entitling the Agent to subscribe for the number of Subscription Shares as is equal to six percent (6%) of the aggregate number of Subscription Receipts sold pursuant to the Private Placement, excluding those Subscription Receipts sold to President's List Purchasers. Each Broker Warrant shall be exercisable at a price of \$0.208 for a period of 24 months commencing upon satisfaction of the Escrow Release Conditions and completion of the Business Combination.

Business Combination:

In connection with the Business Combination and subject to the terms of the Agreement, Subco will amalgamate (the "**Amalgamation**") with Holdco and the amalgamated corporation ("**Amalco**") will continue under the name "Alpha Health Sciences Inc." Amalco will be a direct wholly-owned subsidiary of the Resulting Issuer. All of the property and assets of each of Subco and Holdco will become the property and assets of Amalco and Amalco will be liable for all of the liabilities and obligations of each of Subco and Holdco.

As of the date hereof, SecureCom has 7,992,627 SecureCom Shares outstanding. In addition, as at the date hereof, SecureCom has outstanding SecureCom convertible securities entitling the holders thereof to acquire a further 122,821,820 SecureCom Shares. As a condition of the closing the Business Combination, all outstanding SecureCom convertible securities will be exercised and/or converted in accordance with their terms, other than an aggregate of 770,000 existing stock options of SecureCom which shall, subject to the Consolidation (as defined below), continue to remain outstanding.

In connection with the Business Combination and the Aphria Investment, an aggregate of 192,400,000 Holdco Shares are expected to be issued to Aphria as consideration for the licensing of certain intellectual property of Aphria to Holdco (and upon completion of the Business Combination, to the Resulting Issuer), as further described below. Immediately prior to the Amalgamation, Holdco will have an aggregate of 723,461,538 Holdco Shares outstanding, excluding any Holdco Shares issuable on exercise of the Broker Warrants.

Based on the foregoing, SecureCom will, subject to the receipt of all regulatory approvals, including the approval of its shareholders to certain items of special business and the Exchange, (i) combine with Holdco pursuant to the Agreement such that all of the issued and outstanding

securities of Holdco will be acquired, and as consideration, SecureCom will issue, on a one-for-one basis, approximately 723,461,538 SecureCom Shares (the "**Consideration Shares**", in exchange for the then issued and outstanding Holdco Shares (which for greater certainty includes the Holdco Shares to be issued under the Private Placement); and (ii) reorganize its share structure and consolidate all of the issued and outstanding SecureCom Shares (including the Consideration Shares) on the basis of 10 pre-consolidation SecureCom Shares for one (1) post-consolidation Resulting Issuer Share (the "**Consolidation**").

Following the completion of the Business Combination (and after giving effect to the Aphria Investment, the Private Placement and the Consolidation), it is expected that there will be 85,350,598 (calculated on a non-diluted basis) and 86,350,674 (calculated on a fully-diluted basis) Resulting Issuer Shares outstanding.

Agreements in Favour of Aphria:

In connection with the Business Combination and the Aphria Investment, SecureCom and Aphria have agreed to enter into the following commercial agreements, in form and substance satisfactory to Aphria, such agreements to be entered into concurrent with (and as a condition of) the closing of the Business Combination:

- an investor rights agreement in favour of Aphria providing for, among other things, board nomination rights entitling Aphria to appoint two of the expected five directors to the board of directors of the Resulting Issuer, together with customary pre-emptive and other rights;
- a registration rights agreement in favour of Aphria providing for customary demand and "piggy back" registration rights;
- a trademark license agreement for the exclusive use by the Resulting Issuer of the "Aphria" trademark and distinctive logo in certain permitted state jurisdictions in the United States in connection with the business of the Resulting Issuer; and
- an intellectual property license agreement for the non-exclusive license of the Aphria "system" to the Resulting Issuer in respect of the use of certain Aphria "know-how" and other related intellectual property in connection with certain authorized medical marijuana sites and permitted state jurisdictions in the United States.

Resulting Issuer:

The following table sets forth the pro forma capitalization of the Resulting Issuer after giving effect to the Business Combination, the Aphria Investment, the Private Placement, the Consolidation and the related commercial agreements to be entered into in favour of Aphria (as described above):

Equity	Number of Shares	Percentage of Outstanding Shares⁽¹⁾
Shares to be held by Aphria	32,059,231	37.56%
Shares to be held by certain SecureCom securityholders (other than Aphria)	4,774,445	5.59%
Shares to be issued with respect to the Private Placement ⁽²⁾	16,826,922	19.72%
Other SecureCom Investors	31,690,000	37.13%
Total	85,350,598	100%

(1) Expressed on a non-diluted basis.

(2) Excluding any Resulting Issuer Shares issuable in connection with the exercise of the Broker Warrants.

Board of Directors and Management:

Subject to Exchange approval, on completion of the Business Combination, Aphria will be entitled, among other customary rights, to appoint two nominees as board members to the Resulting Issuer's proposed five-person board. It is Aphria's intention to appoint Vic Neufeld and John Cervini as nominees to the Resulting Issuer's board of directors. It is also expected that they will be joined by Aaron Serruya of Serruya Private Equity, effective upon the completion of the Business Combination.

Conditions of Completion:

Completion of the Business Combination is subject to a number of conditions, including, but not limited to, Exchange acceptance. Where applicable, the Business Combination cannot close until the required shareholder approval is obtained. There can be no assurance that the Business Combination will be completed as proposed, or at all.

Other conditions to completion of the Business Combination include, but are not limited to:

- The approval of Holdco shareholders of the Amalgamation, the approval of SecureCom shareholders of the Name Change and the Consolidation, and other matters to be more fully described in the Circular, and the approval and acceptance of the Exchange;
- Completion of the Acquisition, the Aphria Investment and the Private Placement;
- The execution and delivery of the definitive commercial agreements in favour of Aphria (described above);
- Aphria having a minimum of 37.56% of the issued and outstanding Resulting Issuer Shares (on a non-diluted basis) following the completion of the Business Combination;
- All outstanding SecureCom convertible securities will be exercised and/or converted in accordance with their terms, other than an aggregate of 770,000 existing stock options of SecureCom which shall, subject to the Consolidation, continue to remain outstanding;
- SecureCom will have approximately \$7,400,000 of working capital (net of expenses relating to the completion of the Amalgamation); and
- The Resulting Issuer being in compliance with the initial listing requirements of the Exchange.
-

Further Information:

Further details about the Business Combination and the Resulting Issuer will be provided in the disclosure document to be prepared and filed in respect of the Business Combination.

Completion of the transaction is subject to a number of conditions, including but not limited to, Exchange acceptance. Where applicable, the transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the transaction, any information released or received with respect to the transaction may not be accurate or complete and should not be relied upon.

Trading in the securities of SecureCom will remain halted until further notice.

The Exchange has in no way passed upon the merits of the Business Combination and has neither approved nor disapproved the contents of this press release.

Cautionary Statements:

Certain statements contained in this press release constitute forward-looking information. These statements relate to future events or future performance. The use of any of the words "could", "intend", "expect", "believe", "will", "projected", "estimated" and similar expressions and statements relating to matters that are not historical facts are intended to identify forward-looking information and are based on the Company's current belief or assumptions as to the outcome and timing of such future events. Actual future results may differ materially. In particular, this release contains forward-looking information relating to, among other things, the completion of the Business Combination, the number of securities of SecureCom that may be issued in connection with the Business Combination, the ownership of SecureCom following the Business Combination, the Private Placement, the Consolidation, the Acquisition, the expected composition of the board of directors of the Resulting Issuer, shareholder approval and the parties' ability to satisfy closing conditions and receive necessary approvals. Various assumptions or factors are typically applied in drawing conclusions or making the forecasts or projections set out in forward-looking information. Those assumptions and factors are based on information currently available to the Company. Although such statements are based on management's reasonable assumptions, there can be no assurance that the Business Combination will occur, or that if the Business Combination does occur, it will be completed on the terms described above.

The forward-looking information contained in this release is made as of the date hereof and neither the Company, Aphria nor Holdco is obligated to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Because of the risks, uncertainties and assumptions contained herein, investors should not place undue reliance on forward-looking information. The foregoing statements expressly qualify any forward-looking information contained herein.

*This announcement does not constitute an offer, invitation or recommendation to subscribe for or purchase any securities and neither this announcement nor anything contained in it shall form the basis of any contract or commitment. In particular, this announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States, or in any other jurisdiction in which such an offer would be illegal. The securities referred to herein have not been and will not be registered under the Securities Act of 1933, as amended (the "**Securities Act**"), or under the securities laws of any state or other jurisdiction of the United States and may not be offered or sold, directly or indirectly, within the United States, unless the securities have been registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.*

CONTACT INFORMATION

- SecureCom Mobile Inc.
Michael Galloro
Chief Executive Officer
(416) 907-5644

DFMMJ Investments, Ltd.
Brady Cobb
President and Sole Director
(954) 527-4111

Aphria Inc.
Vic Neufeld
President and Chief Executive Officer
(844) 427-4742