

## Automodular Corporation Agrees to a Business Combination with HLS Therapeutics Inc.

TORONTO, ONTARIO and PICKERING, ONTARIO--(Marketwired - Dec. 21, 2017) -

**THIS NEWS RELEASE IS NOT FOR DISTRIBUTION TO U.S. NEWSWIRE SERVICES OR DISSEMINATION IN THE UNITED STATES. ANY FAILURE TO COMPLY WITH THIS RESTRICTION MAY CONSTITUTE A VIOLATION OF U.S. SECURITIES LAW.**

Automodular Corporation (NEX:AM.H) ("AMD") and HLS Therapeutics Inc. ("HLS"), a private Canadian corporation, together are pleased to announce the execution of a definitive agreement dated December 21, 2017 (the "Arrangement Agreement"), providing for the amalgamation of HLS and AMD by way of a plan of arrangement (the "Arrangement") in accordance with Section 183 of the *Business Corporations Act* (Ontario) (the "OBCA"). Pursuant to the Arrangement, HLS and AMD will amalgamate to form a new entity named "HLS Therapeutics Inc." ("Amalco"), operating in the life sciences industry. Prior to completion of the Arrangement, HLS, which is formed under the *Business Corporations Act* (British Columbia) will continue under the OBCA. The completion of the Arrangement will result in a reverse takeover of AMD as defined in the policies of the TSX Venture Exchange (the "Exchange"). Completion of the Arrangement is subject to, among other things, the approval of the Exchange and approval from AMD and HLS shareholders.

### Recommendation of the Board of Directors and Support Agreements

The board of directors of each of AMD and HLS have unanimously: (a) determined that the Arrangement is in the best interests of AMD and HLS, respectively; (b) recommended that its respective shareholders vote in favour of the resolutions approving the Arrangement; and (c) authorized the execution of the Arrangement Agreement and the performance of AMD's and HLS's respective obligations under the Arrangement Agreement.

Directors and officers of AMD, all directors and officers of HLS, and certain other shareholders representing an aggregate of 4,679,366 (36.1%) AMD common shares ("AMD Shares") and 22,234,582 (88.0%) HLS common shares ("HLS Shares"), in each case on a non-diluted basis, entered into voting support agreements pursuant to which they agreed to vote their eligible securities in favour of the Arrangement.

PwC is acting as exclusive financial advisor to AMD on the Arrangement.

### About HLS

Formed in 2015, HLS Therapeutics Inc. is a specialty pharmaceutical company focused on the acquisition and commercialization of late stage development, commercial stage promoted and legacy stage managed branded pharmaceutical products in the North American markets. HLS's focus is on products targeting the central nervous system and cardiovascular therapeutic areas. HLS's management team is composed of seasoned pharmaceutical executives with a strong track record of success in these therapeutic areas and at managing products in each of these lifecycle stages.

HLS's management team has executed over US\$8 billion worth of transactions in the specialty pharmaceutical space. The team devised and led the turnaround of Biovail Corporation ("Biovail"), at the time Canada's largest publicly traded pharmaceutical company. Over a 24-month period from September 2008 to September 2010, the team sourced and executed nine transactions collectively valued at over US\$1 billion, acquiring late stage development assets, commercial stage drugs, and legacy drugs. This strategy culminated in Biovail's US\$7 billion merger with Valeant Pharmaceuticals International Inc. in 2010, delivering significant share price appreciation for Biovail's shareholders.

After the Biovail/Valeant merger, the HLS management team determined that an opportunity existed to create a new specialty pharmaceutical company with a similar strategy to the one the team successfully implemented during the turnaround of Biovail.

In June 2015, the management team formed HLS, and shortly thereafter raised US\$385 million and acquired the North American rights to Clozaril®, a commercial stage, promoted product in Canada and a legacy stage, managed product in the U.S. HLS subsequently acquired partial rights to a commercial stage product for the U.S. and in-licensed two pre-commercial stage products for Canada, described below. HLS management believes this portfolio and its related infrastructure form a robust base for the execution of HLS's strategy. It also demonstrates that HLS has the potential to strike a balance between the achievement of significant growth and durable cash flows with the minimization of the excessive cost and uncertainty associated with early stage discovery and R&D. The listing of Amalco on the Exchange is the next step in the execution of HLS's strategy.

and will provide additional strategic tools including enhanced access to capital to enable future growth.

For more information on HLS, visit [www.hlstherapeutics.com](http://www.hlstherapeutics.com).

## HLS's Products

HLS's lead product is Clozaril® for the Canadian and U.S. markets. In Canada, Clozaril® is an atypical antipsychotic indicated in the management of symptoms of treatment resistant schizophrenia in adults over 18 years old. In the U.S., Clozaril® is indicated for the treatment of severely ill patients with schizophrenia who fail to respond adequately to standard drug treatment. Clozaril® is also indicated for reducing the risk of recurrent suicidal behavior in patients with schizophrenia or schizoaffective disorder who are judged to be at chronic risk for re-experiencing suicidal behavior, based on history and recent clinical state. Clozaril® is a legacy product in the U.S. where it is not promoted and is a growing, promoted product in Canada where it is supported by a dedicated sales team and related clinical resources.

Effective July 1, 2016, HLS entered into an agreement with Galephar Pharmaceutical Research Inc. for the acquisition of the United States marketing rights to Absorica® which, in effect, provides HLS with royalty income based on U.S. sales of Absorica®. Absorica® is an established commercial stage dermatology product in the United States market, commercialized by a third-party.

In the fall of 2017, HLS entered into two exclusive licensing agreements to register, and distribute in the Canadian territory, two cardiovascular specialty products. HLS anticipates submitting two separate applications to Health Canada in 2018.

## Financial Information for HLS

The following tables present selected financial data of HLS for the years ended December 31, 2016 and December 31, 2015, and the nine months ended September 30, 2017 and September 30, 2016. The selected financial information has been derived from HLS's audited consolidated financial statements for the years ended December 31, 2016 and December 31, 2015, and from HLS's audited interim financial statements for the nine months ended September 30, 2017, including the unaudited comparative period.

	<b>Nine Months Ended September 30, 2017</b>	<b>Nine Months Ended September 30, 2016</b>	<b>% Growth</b>	<b>Year Ended December 31, 2016</b>	<b>Year Ended December 31, 2015</b>	<b>% Growth</b>	
<b>(USD\$ 000's)</b>	<b>(audited)</b>	<b>(unaudited)</b>		<b>(audited)</b>	<b>(audited)</b>		
Revenue	54,707	38,235	43	% 54,031	19,956	171	%
EBITDA*	40,420	27,103	49	% 38,536	12,497	208	%
Net loss	(5,676	) (9,919	) n/a	(14,893	) (9,638	) n/a	
Basic loss per share	(0.22	) (0.40	) n/a	(0.60	) (0.92	) n/a	

\*Please refer to "Notice on Non-IFRS Measures" below.

	<b>As at September 30, 2017</b>	<b>As at December 31, 2016</b>	<b>As at December 31, 2015</b>
<b>(USD\$ 000's)</b>	<b>(audited)</b>	<b>(audited)</b>	<b>(audited)</b>
Cash and cash equivalents	35,712	37,763	57,112
Total assets	387,882	384,628	383,308
Total long term financial obligations	162,891	173,265	166,499
Total liabilities	206,768	209,064	188,534
Accumulated deficit	30,211	24,535	9,642

## The Arrangement

To complete the Arrangement, HLS must first continue its corporate existence under the OBCA which will require the approval of HLS's shareholders. Following completion of the Arrangement, the business presently carried on by HLS will be carried on by Amalco (which as noted above, will be named "HLS Therapeutics Inc.").

As part of the Arrangement, except for dissenting shareholders of HLS and AMD, shareholders of HLS and AMD will be issued shares of Amalco as described below.

As part of the Arrangement: (a) each issued and outstanding AMD Share will be cancelled, and the holder will receive (per AMD Share) 0.165834 fully paid and non-assessable common shares in the capital of Amalco (each whole common share, an "Amalco Common Share") and one fully paid and non-assessable preferred share in the capital of Amalco (an "Amalco Preferred Share") (the attributes of which are described below); and (b) each issued and outstanding HLS Share will be cancelled, and the holder will receive (per HLS Share) one Amalco Common Share.

AMD currently has 12,976,227 common shares issued and outstanding while HLS has 25,277,997 common shares issued and outstanding. The total number of Amalco Common Shares issued will be approximately 2,151,900 to the holders of AMD shares, approximately 25,277,997 to the holders of HLS Shares, and the total number of Amalco Preferred Shares issued will be 12,976,227 to the holders of AMD Shares. Upon completion of the Arrangement, it is expected that the shareholders of AMD will hold approximately 8% and the shareholders of HLS will hold approximately 92% of the outstanding Amalco shares.

Polar Securities Inc., an insider of AMD (as such term is defined in the policies of the Exchange and in securities regulations), holds approximately 1.5% of the current issued and outstanding HLS Shares. Otherwise, none of the directors, officers or insiders of AMD has any interest in HLS or is an insider of HLS.

### **Other Terms of the Arrangement**

The Arrangement, as described above, constitutes an arm's length transaction as defined in the policies of the Exchange and in securities regulations.

The Amalco Preferred Shares are being issued to allow AMD's shareholders to receive their *pro rata* share of any proceeds flowing from AMD's ongoing litigation against General Motors Company and General Motors of Canada Ltd (the "GM Litigation"). The Amalco Preferred Shares will be non-voting and will not entitle holders to dividends, provided that the holders of Amalco Preferred Shares shall be entitled to nominate one director for election to the board of Amalco for so long as the Amalco Preferred Shares remain outstanding.

On completion of the Arrangement, certain funds will be placed in escrow to fund the GM Litigation and address any legacy AMD matters. Subject to certain terms and conditions, approximately 95% of any recovery by Amalco under the GM Litigation will be paid to the holders of Amalco Preferred Shares upon redemption by Amalco of the Amalco Preferred Shares in accordance with the terms of the Amalco Preferred Shares.

Pursuant to the terms of the Arrangement Agreement, HLS and AMD covenant to conduct their business in the ordinary course prior to completion of the Arrangement, with certain customary restrictions imposed on capital expenditures, incurrence of indebtedness, and other actions, subject to specified carve-outs. The Arrangement Agreement is terminable by the parties in limited circumstances that are customary for a transaction of this nature, including by either party if the Arrangement has not been completed by April 30, 2018. Each of HLS and AMD are subject to a non-solicitation restriction. In the event of termination of the Arrangement Agreement in certain prescribed circumstances, a fee of \$1,000,000 may be payable by either HLS or AMD to reimburse the other party for expenses incurred in connection with the transactions contemplated by the Arrangement Agreement. The completion of the Arrangement and related transactions is subject to the approval of (i) the Exchange, (ii) 66 2/3% of the votes cast by AMD and HLS shareholders, respectively, and (iii) of the Ontario Superior Court of Justice. The Arrangement and related transactions are subject to the satisfaction or, where permitted, waiver of certain additional conditions precedent, including, but not limited to: (1) AMD maintaining a minimum amount of cash at closing, (2) the implementation of certain administration and escrow arrangements in connection with the GM Litigation, and (3) other conditions customary for transactions of a similar nature. There is no guarantee that these conditions will be met or will be met in due time. A joint management information circular is expected to be mailed to shareholders of AMD and HLS in connection with shareholder meetings, expected to be held in February 2018, to approve the Arrangement and transactions contemplated by it. Additional information regarding the details of the Arrangement and such transactions will be included in such joint management information circular.

In coming to its recommendation with respect to the Arrangement, the board of directors of AMD also reviewed and considered a fairness opinion from PwC, financial advisors to the board of directors of AMD in connection with the Arrangement, which report provides that, as of the date of such opinion, and subject to the assumptions, limitations and qualifications set forth therein, the consideration to be received by the AMD shareholders pursuant to the Arrangement is fair from a financial point of view.

Prior to completion of the Arrangement, HLS may seek to complete a best efforts agency offering of subscription receipts exchangeable for HLS Shares at a price of not less than US\$9.25 per subscription receipt, and may engage agents to market such offering.

Amalco will maintain offices in Toronto (Etobicoke, Ontario), Montreal (Dorval, Quebec), Philadelphia (Rosemont, Pennsylvania) and St-James (Barbados).

## **Principals of Amalco**

The Board of Directors of Amalco will be composed of seven (7) Directors, with six (6) nominees of HLS and one (1) nominee of AMD. Subject to the approval of the Exchange, it is planned that the directors and senior officers of Amalco will include the following:

*William Wells - Director, Executive Chairman*

Mr. Wells is a Co-Founder of HLS, and former Chief Executive Officer of Biovail Corporation, formerly Canada's largest publicly traded pharmaceutical company.

Mr. Wells is a seasoned business executive with extensive experience managing complex global businesses. He has been involved in three successful turnaround efforts of major public companies and led the turnaround of Biovail and subsequent merger with Valeant, first as Lead Director of the Board and then as CEO.

*Greg Gubitz - Director, Chief Executive Officer*

Mr. Gubitz is a Co-Founder of HLS, and a former Senior Vice President, Corporate Development and General Counsel of Biovail Corporation.

Mr. Gubitz is a seasoned executive and business lawyer, with significant transaction, investment & operating experience. As General Counsel of Biovail, he was responsible for mergers & acquisitions and for worldwide legal operations.

*Gilbert Godin - President and Chief Operating Officer*

Mr. Godin is a Co-Founder of HLS, Former Executive VP and Chief Operating Officer of Biovail Corporation.

More recently, Mr. Godin was CEO of Duchesnay USA, and built the team that successfully took the firm's specialty product to the US ObGyn market. Mr. Godin has held senior leadership positions in Canada, Europe and in the US, for MDS, Schering-Plough, and L'Oreal.

*Joe MacLean - Officer, Corporate Development*

Mr. MacLean is a Co-Founder of HLS and also serves as CEO of AOI Capital, LLC.

Mr. MacLean is a seasoned business executive with extensive experience in acquisitions, trading, origination, structuring and pricing experience in credit, equities, structured finance derivatives, life insurance and annuities.

*J. Spencer Lanthier - Director*

Mr. Lanthier is the former chief executive officer of KPMG Canada, is a member of the Order of Canada and has served on numerous boards including TMX Group and The Bank of Canada.

Mr. Lanthier served as Lead Director of Biovail Corporation, and was a Director of the Ontario Genomics Institute. He had been recognized in the Financial Post's Top 200 Chief Executive Officer listings for six years. He is a Fellow of the Institute of Certified Professional Accountants and a Fellow of the ICD. Mr. Lanthier was educated at McGill University and holds an Honorary Doctor of Law Degree from the University of Toronto.

*Yvon Bastien - Director*

Mr. Bastien is the former chief executive officer of Sanofi Canada, has served on the boards as chairman of Helix BioPharma, Enobia Pharmaceuticals, Painceptor Pharma, Trillium Health Care, Direct C, and as director of Telesta Therapeutics.

Mr. Bastien has more than 25 years of very successful experience in the pharmaceutical industry, where he occupied senior positions both at the national and international levels. He has held executive positions at Ciba Geigy - CH, Laboratoire Debat - FR, IMS Canada, and Eli Lilly in Montreal.

It is anticipated that, in addition to the four directors listed above, three new independent directors would be appointed to the Board of Amalco including an AMD nominee.

It is anticipated that principals and insiders of Amalco will be, in addition to the directors and officers listed

above: certain entities managed, advised or sub-advised by affiliates of OrbiMed Advisors LLC, Athyrium Capital Management, LP, HealthCor Partners Management, L.P. and HealthCor Management, L.P., and Janus Henderson Group, each of whom is an existing shareholder of HLS.

## **Sponsorship and Trading**

AMD will apply to the Exchange for an exemption from or waiver of the sponsorship requirements in connection with the Arrangement. There is no assurance that such exemption or waiver will be granted. If such exemption or waiver is not granted, it will be necessary to engage a sponsor for the Arrangement.

Trading of the AMD Shares will be halted at least until the reception, to the satisfaction of the Exchange and according to its applicable policies, of the documents necessary to resume trading. AMD will issue a further news release when the trading of the AMD Shares is to resume, which may not occur until the completion of the Arrangement.

A copy of the Arrangement Agreement (including the plan of arrangement) will be filed on AMD's SEDAR profile and will be available on [www.sedar.com](http://www.sedar.com).

*Completion of the transaction is subject to a number of conditions, including but not limited to, Exchange acceptance and if applicable, disinterested shareholder approval. 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 joint 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 AMD should be considered highly speculative.*

*The TSX Venture Exchange Inc. has in no way passed upon the merits of the proposed transaction and has neither approved nor disapproved the contents of this news release.*

## **About AMD**

AMD historically provided sequencing and sub-assembly services for modules that were installed in vehicles assembled by North American Original Equipment Manufacturers at plants in Canada. AMD provided these services to the Ford Motor Company ("Ford") until the completion of the multi-year agreement and its related amendments on December 23, 2014.

Following the expiry of AMD's commercial agreement with Ford on December 23, 2014, AMD ceased operations at its two remaining operating facilities in Oakville, Ontario. During the first quarter of 2015 both facilities were returned to the respective landlords. At the current time, AMD has no active operations.

In conjunction with the closure of the operating facilities, all hourly employees and all but two salaried employees have left the Company. The remaining employees are working on the GM litigation. Both AMD's Board of Directors and the remaining members of the executive management team have been actively engaged in finding ways to leverage AMD's cash balance and public company listing.

THIS PRESS RELEASE DOES NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY ANY SECURITIES IN ANY JURISDICTION, NOR SHALL THERE BE ANY OFFER, SALE, OR SOLICITATION OF SECURITIES IN ANY JURISDICTION IN WHICH SUCH OFFER, SALE, OR SOLICITATION WOULD BE UNLAWFUL.

THE SECURITIES PROPOSED TO BE ISSUED IN THE PROPOSED ARRANGEMENT HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "1933 ACT") AND MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES OR TO A U.S. PERSON IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE 1933 ACT. AMALCO INTENDS TO ISSUE SUCH SECURITIES PURSUANT TO THE EXEMPTION FROM REGISTRATION SET FORTH IN SECTION 3(a)(10) OF THE 1933 ACT.

### **Notice on Non-IFRS Measures:**

This press release makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS measures by providing further understanding of HLS's results of operations from management's perspective. Accordingly, they should not be considered in isolation nor as a substitute for analysis of HLS's financial information reported under IFRS. HLS uses non-IFRS measures to

provide investors with supplemental measures of its operating performance and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. HLS also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers. HLS's management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, prepare annual operating budgets and assess HLS's ability to meet its future debt service, capital expenditure and working capital requirements. Management uses EBITDA as a measure of HLS's performance. EBITDA is defined as income (loss) before income taxes, acquisition costs, finance and related costs, stock-based compensation and amortization and depreciation. EBITDA does not have any standardized meaning prescribed by IFRS and is not necessarily comparable to similar measures presented by other companies. EBITDA should not be considered in isolation or as a substitute for net income (loss) prepared in accordance with IFRS as issued by the International Accounting Standards Board.

#### Notice on forward-looking statements:

This release includes forward-looking information or forward-looking statements within the meaning of Canadian securities laws, the 1933 Act, the U.S. Securities Exchange Act of 1934 and the U.S. Private Securities Litigation Reform Act of 1995 regarding AMD, HLS and their respective businesses, which may include, but are not limited to, statements with respect to the completion of the Arrangement, the terms on which the Arrangement is intended to be completed, the ability to obtain regulatory and shareholder approvals and other factors. Often but not always, forward-looking information can be identified by the use of words such as "expect", "intends", "anticipated", "believes" or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would" or "will" be taken, occur or be achieved. Such statements are based on the current expectations and views of future events of the management of each entity, and are based on assumptions and subject to risks and uncertainties. Although the management of each entity believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect. The forward-looking events and circumstances discussed in this release, including completion of the Arrangement (and the proposed terms upon which the Arrangement is proposed to be completed), may not occur and could differ materially as a result of known and unknown risk factors and uncertainties affecting the companies, including risks regarding the pharmaceutical industry, market conditions, economic factors, management's ability to manage and to operate the business of Amalco and the equity markets generally. Although AMD and HLS have attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Accordingly, readers should not place undue reliance on any forward-looking statements or information. No forward-looking statement can be guaranteed. Except as required by applicable securities laws, forward-looking statements speak only as of the date on which they are made and neither AMD nor HLS undertake any obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Neither the Exchange nor its regulation services provider (as that term is defined in the policies of the Exchange) accepts responsibility for the adequacy or accuracy of this release.

## CONTACT INFORMATION

Automodular Corporation  
Christopher S. Nutt  
President and Chief Executive Officer  
(905) 420-0200  
[invest@automodular.com](mailto:invest@automodular.com)

HLS Therapeutics Inc.  
Ross Marshall  
Investor Relations  
(416) 526-1563  
[ross.marshall@loderockadvisors.com](mailto:ross.marshall@loderockadvisors.com)

HLS Therapeutics Inc.  
Gilbert Godin  
President and Chief Operating Officer

(484) 232-3400 ext 101  
[g.godin@hlstherapeutics.com](mailto:g.godin@hlstherapeutics.com)  
[www.hlstherapeutics.com](http://www.hlstherapeutics.com)

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