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TerrAscend to Enter US Cannabis Market

Canopy Growth, Canopy Rivers and JW Asset Management support TerrAscend's related capital reorganization

Jeffrey J. Puglisi appointed Chief Corporate Officer overseeing US Strategy

TORONTO, Oct. 9, 2018 /PRNewswire/ - TerrAscend Corp. (CSE: TER) ("TerrAscend" or the "Company") today announced that the Company intends to explore and pursue growth opportunities in the US, including potential acquisitions of operators in states that have legalized cannabis for therapeutic or adult-use. The Company has identified acquisition prospects with significant market share, strong brand recognition and substantial global potential. With an experienced management team, engaged board, and supportive shareholder base, TerrAscend's goal is to become the leading multi-state operator in the US cannabis industry while continuing to capitalize on sizable opportunities in Canada and the rest of the world.



To support its new strategy, the Company has entered into an agreement (the "Arrangement Agreement") with Canopy Growth Corporation (TSX: WEED) (NYSE: CGC) ("Canopy Growth"), Canopy Rivers Corporation ("Canopy Rivers") (a subsidiary of Canopy Rivers Inc. (TSXV: RIV)) and entities controlled by Jason Wild, Chairman of the Company ("JW Asset Management"), to reorganize the capital of the Company (the "Reorganization") and obtain waivers of certain contractual covenants currently restricting TerrAscend from operating in the United States (the "US Business Restrictions").

"We see a tremendous opportunity for TerrAscend shareholders to benefit from an early-mover strategy as we grow our business organically and through disciplined acquisitions in those states and countries that have legalized cannabis," said Michael Nashat, President and Chief Executive Officer of TerrAscend. "Thanks to the ongoing collective support from Canopy Growth, Canopy Rivers and JW Asset Management, our proposed capital reorganization will position TerrAscend to pursue value-generating growth on a global scale."

Bruce Linton, Chairman and Co-Chief Executive Officer of Canopy Growth and Chairman and acting Chief Executive Officer of Canopy Rivers Inc. said, "We first partnered with JW Asset Management to invest in TerrAscend because of our confidence in Jason Wild's ability to build a business with strong leadership and a responsible approach to growth. We are pleased with what TerrAscend has accomplished in the Canadian market to date and are

confident they can continue to build on that success globally."

"We are supportive of this reorganization as it positions the Canopy portfolio of companies with conditional future exposure, that is compliant with the policies of our stock exchanges, to a team with a track record of success as they embark to compete in what is anticipated to be the largest cannabis economy in the world. We are thrilled to remain affiliated and aligned with the TerrAscend team as the Company continues to build value for all shareholders," continued Linton.

Appointment of Jeffrey J. Puglisi as Chief Corporate Officer

The Company also announced that it has appointed Jeffrey J. Puglisi as Chief Corporate Officer responsible for the oversight and execution of the Company's US strategy. Mr. Puglisi has been the Executive Vice President of Business Development and Corporate Affairs of the Company since December 2017. Mr. Puglisi has more than 30 years experience in the capital markets and the securities industry. He co-founded Puglisi & Co., a New York-based securities broker-dealer specializing in investment banking, corporate finance, institutional trading and asset management. He also founded Puglisi Capital Partners LP, a US\$200 million investment fund focused on equity investments in both public and private companies.

Details of the Reorganization

The Reorganization will be implemented by way of a statutory plan of arrangement under the terms set out in the Arrangement Agreement. It will be subject to Court approval and the approval of TerrAscend's shareholders, as well as other customary conditions.

As part of the Reorganization:

- i. to satisfy stock exchange regulation applicable to Canopy Growth and Canopy Rivers that restrict their ability to have an investment in an entity with cannabis operations in the US (the "Cannabis Investment Restrictions"), each of Canopy Growth and Canopy Rivers will (A) exchange their existing warrants to acquire TerrAscend common shares ("Common Shares") for Common Shares with a value equal to the difference between the five day volume weighted average trading price of the Common Shares as of October 5, 2018, and the warrant exercise price ("Cashless Warrant Exercise") and (B) exchange all of their Common Shares for a new class of unlisted shares exchangeable into Common Shares ("Exchangeable Shares") that will be non-voting and non-participating and will not be exchanged into Common Shares until (i) the applicable Cannabis Investment Restrictions are lifted or cannabis becomes legal under US federal law and (ii) any necessary stock exchange approvals are received, at which point the Exchangeable Shares will become convertible into Common Shares on a one-for-one basis;
- ii. to assist the Company in complying with certain securities regulations in the US, JW Asset Management will exchange their Common Shares for a new class of unlisted proportionate voting shares ("Proportionate Voting Shares") on the basis of one Proportionate Voting Share for each 1,000

Common Shares held, which Proportionate Voting Shares will carry 1,000 votes per share, be entitled to participate in dividends and in the distribution of proceeds on a wind-up of the Company on a \$1,000-to-\$1.00 basis relative to the Common Shares and be exchangeable into Common Shares on a basis of 1,000 Common Shares per Proportionate Voting Share;

- iii. the outstanding warrants to acquire Common Shares held by JW Asset Management will be amended such that they will each become exercisable for 0.001 of a Proportionate Voting Share instead of one Common Share; and
- iv. Canopy Growth, Canopy Rivers and JW Asset Management will waive the US Business Restrictions.

Following completion of the Reorganization, it is expected that: (i) Canopy Growth and Canopy Rivers will hold the same number of Exchangeable Shares as they each held in Common Shares prior to completion of the Reorganization, plus a number of Exchangeable Shares equal to the number of Common Shares received on the Cashless Warrant Exercise; (ii) JW Asset Management will hold a number of Proportionate Voting Shares equal to one one-thousandth of the number of Common Shares held immediately prior to completion of the Reorganization, with such Proportionate Voting Shares having the same aggregate voting and economic rights as the Common Shares previously held by JW Asset Management, as well as warrants to acquire one one-thousandth of the number of Proportionate Voting Shares as JW Asset Management had warrants to acquire Common Shares prior to completion of the Reorganization; and (iii) holders of Common Shares immediately prior to completion of the Reorganization other than Canopy Growth, Canopy Rivers and JW Asset Management will continue to hold the same number of shares, with the same voting and economic rights, as prior to the Reorganization.

The Cashless Warrant Exercise described above will be effected based on an exchange ratio of 0.8548 of a common share per warrant, based on the five-day volume weighted average trading price of the Common Shares of \$7.5778 prior to the date hereof and an exercise price for the warrants of \$1.10. Canopy Growth and Canopy Rivers each currently hold 9,545,456 warrants. If they both continue to hold all of such warrants immediately prior to the completion of the Reorganization, they will each receive 8,159,456 Common Shares pursuant to the Cashless Warrant Exercise. Assuming that as of the completion of the Reorganization Canopy Growth and Canopy Rivers each continue to hold the 11,285,456 Common Shares that they currently hold, Canopy Growth and Canopy Rivers will each hold a total of 19,444,912 Common Shares following the Cashless Warrant Exercise. In a subsequent step in the Reorganization, all of the Common Shares held by Canopy Growth and Canopy Rivers will be exchanged for Exchangeable Shares.

TerrAscend expects to hold a meeting of shareholders to consider a special resolution approving the Reorganization in November 2018. Approval will be required from at least (i) 66⅔% of the votes cast by holders of Common Shares present in person or by proxy at the shareholder meeting; and (ii) a majority of the votes cast by holders of Common Shares present in person or by proxy at the shareholder meeting, excluding Canopy Growth, Canopy Rivers and JW Asset Management.

Blair Franklin Capital Partners, independent financial advisors to the unconflicted members of the Company's board of directors, has provided a fairness opinion that the Reorganization is fair, from a financial point of view, to the Company's shareholders (other than Canopy Growth, Canopy Rivers and JW Asset Management). After consultation with financial and legal advisors, the Reorganization has been unanimously approved by the Company's board of directors (with conflicted directors abstaining). Pursuant to the terms of the Arrangement Agreement, Canopy Growth, Canopy Rivers and JW Asset Management have committed to vote all Common Shares held by them, being approximately 60% of the issued and outstanding Common Shares, in favour of the resolution approving the Reorganization. Additional shareholders, including all of the directors and officers of TerrAscend, representing 16% of the issued and outstanding Common Shares have also entered into voting support agreements in connection with the transaction.

Further details regarding the terms of the Reorganization are set out in the Arrangement Agreement and will be provided in a management information circular for the shareholder meeting, both of which will be available under the profile of the Company on SEDAR at www.sedar.com and the Company's website, www.terrascend.com.

About TerrAscend

TerrAscend is a biopharmaceutical and wellness company that is committed to quality products, brands and services for the global cannabinoid market. The Company provides support to patients through its wholly-owned subsidiaries, Solace Health Inc., a licensed producer of medical cannabis under the Access to Cannabis for Medical Purposes Regulations, and Solace Health Network Inc., a clinical support program and education platform led by healthcare professionals. The Company will also participate in the adult-use market in Canada following legalization and has secured direct and indirect supply agreements to provide products in several provinces.

Caution Regarding Cannabis Operations in the United States

Investors should note that there are significant legal restrictions and regulations that govern the cannabis industry in the US. Cannabis remains a Schedule I drug under the United States Controlled Substances Act, making it illegal under federal law in the US to cultivate, distribute or possess cannabis in the US. Furthermore, financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the US may form the basis for prosecution under applicable US federal money laundering legislation.

While the approach to enforcement of such laws by the federal government in the US has trended toward non-enforcement against individuals and businesses that comply with medical or adult-use cannabis programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under US federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. Following any investment made by the Company in operations in the US, enforcement of federal laws in the US will be a significant risk to the business of the Company and any proceedings brought against the Company thereunder may adversely affect the Company's operations and financial performance.

Forward Looking Information

This news release contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking statements in this press release may be identified by the use of words such as, "may", "would", "could", "will", "likely", "expect", "anticipate", "believe", "intend", "plan", "forecast", "project", "estimate", "outlook" and other similar expressions, and include statements with respect to TerrAscend's intention to complete the reorganization and to pursue business opportunities in the United States. Forward-looking statements are not a guarantee of future performance and are based upon a number of estimates and assumptions of management in light of management's experience and perception of trends, current conditions and expected developments, as well as other factors relevant in the circumstances, including assumptions in respect of current and future market conditions, the current and future regulatory environment; and the availability of licenses, approvals and permits.

Although TerrAscend believes that the expectations and assumptions on which such forward-looking statements are based are reasonable, undue reliance should not be placed on the forward-looking statements because TerrAscend can give no assurance that they will prove to be correct. Actual results and developments may differ materially from those contemplated by these statements. Forward-looking statements are subject to a variety of risks and uncertainties that could cause actual events or results to differ materially from those projected in the forward-looking statements. Such risks and uncertainties include, but are not limited to, the Company's ability to complete the reorganization, including obtaining the necessary approval of the Company's shareholders; the Company's ability to source attractive investment opportunities in the United States and execute on such opportunities, including being able to finance any such opportunities; risks related to federal, state, provincial, territorial, local and foreign government laws, rules and regulations, including federal and state laws in the United States relating to cannabis operations in the United States; TerrAscend's ability to successfully integrate any acquired businesses in the future; fluctuations in foreign currency exchange rates.

The statements in this press release are made as of the date of this release. TerrAscend disclaims any intent or obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws. TerrAscend undertakes no obligation to comment on analyses, expectations or statements made by third-parties in respect of TerrAscend, its securities, or financial or operating results (as applicable).

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