

August 2, 2019



# TerrAscend Announces the Acquisition of Ilera Healthcare

*--- Ilera's current revenue run-rate is over US\$43 million<sup>1</sup>, up from total sales in 2018 of less than US\$8 million<sup>1</sup>.*

*--- State-of-the-art, fully integrated seed-to-sale operator in Pennsylvania adds to TerrAscend's global portfolio of operations across multiple U.S. States, Canada and the EU.*

*--- Ilera's team members will continue in their current roles and join TerrAscend's rapidly expanding US operations.*

*---The Company looks forward to giving updated 2019 revenue guidance in the coming weeks, which will include projections for Ilera's sales contribution post the transaction's targeted close in the 4<sup>th</sup> quarter.*

TORONTO, Aug. 2, 2019 /PRNewswire/ - TerrAscend Corp. (CSE: TER; OTCQX: TRSSF) ("TerrAscend" or "the Company"), the first and only global cannabis company licensed for sales in Canada, the US, and the EU, today announced the signing of a definitive agreement to acquire Ilera Healthcare ("Ilera"), one of five vertically-integrated cannabis cultivator, processor, and dispensary operators in Pennsylvania, with such vertically-integrated licenses also referred to as "Super Licenses" in the state.



Ilera's cultivation and processing facility in Waterfall, PA includes a genetic library of over 170 cannabis strains, a state-of-the-art greenhouse designed for optimal plant growth and minimal environmental impact, clean CO2 and ethanol extraction capabilities, and leading-edge packaging technology. Ilera's dispensary in Plymouth Meeting, PA was designed to create a welcoming, safe, and secure environment for patients. In the next six months, the company expects to open two additional dispensaries in Region 1, which includes Lancaster, Philadelphia, Chester, Bucks, Berks, Delaware and Schuylkill counties. In addition to selling its products in its own dispensary, Ilera distributes its dried flower, concentrates, tinctures, and topicals to 50 of Pennsylvania's 52 medical cannabis dispensaries.

TerrAscend has agreed to acquire 100% of the equity of Ilera for total consideration of between US\$125-\$225 million, paid in a combination of cash and TerrAscend shares. On closing, TerrAscend will pay to the sellers US\$25 million in cash, subject to customary closing adjustments, and an additional US\$25 million worth of proportionate voting shares in the equity of TerrAscend equivalent to approximately 5,059.102 proportionate voting shares

(which are each exchangeable for 1,000 TerrAscend common shares, being issued at an issuance price of US\$ 4.94 per share, based on the 45 day volume-weighted average trading price of TerrAscend's common shares as of Monday, July 29, 2019 of C\$6.5307 and an exchange rate of C\$1.3216 per US\$1.00). Additional cash consideration of up to US\$175 million<sup>2</sup> in aggregate may be paid to the sellers based on Ilera achieving certain specified revenue and profitability targets, with staged payments being made in 2020 and 2021. The transaction is expected to close in the 4<sup>th</sup> quarter of 2019, subject to regulatory approvals by the Pennsylvania Department of Health as well as certain customary closing conditions.

TerrAscend reiterates its current 2019 guidance of revenue in excess of CAD\$135 million on its current business, which does not contemplate contribution from the Ilera transaction. The Company looks forward to giving updated 2019 revenue guidance in the coming weeks, which will include projections for Ilera's sales contribution post the transaction's targeted close in the 4th quarter.

Ilera's senior operating team – including CEO Greg Rochlin, Director of Cultivation Andrew Sack, and Chief Scientific Officer Oludare Odumosu– will continue in management positions and are expected to work within the broader TerrAscend organization. All the employees at the company's Waterfall cultivation and manufacturing site and their Plymouth Meeting dispensary site are expected to join TerrAscend's rapidly expanding US operations. Ilera is currently the second largest employer in Waterfall, PA.

"Today's news marks another important step forward in our U.S. expansion strategy," said Matthew Johnson, President of TerrAscend Corp., and TerrAscend USA, Inc. "Greg Rochlin and the rest of the Ilera team have built a substantial business that delivers high quality, safe, efficacious medicine to patients through scientific innovation, operational integrity, and best-in-class patient education and service. Their team brings robust operating experience and scientific knowledge that will be invaluable as we scale our business in the U.S. and beyond. We see great potential in bringing Ilera brands and formulations to the other jurisdictions in which we operate. We also plan on launching California-born Valhalla Confections and State Flower brands and our leading premium Canadian cannabis brand, Haven St. into the Pennsylvania market. We are thrilled to have found a team that shares in TerrAscend's values and vision and look forward to working together with Greg and his team as we continue to build the leading North American Operator (NAO) in the cannabis space."

"It's clear that we've found a great strategic and cultural fit with TerrAscend," said Greg Rochlin, CEO of Ilera. "We're proud of the company we've built and we're excited to have found a partner who recognizes the quality and potential of our seed-to-store operations. TerrAscend's roots in health sciences and their commitment to innovation and quality make them the ideal partner for us as we grow our business. We're excited to become part of this inspirational team which has made substantial progress in becoming one of the leading companies in the sector, while putting patients first."

Osagie Imasogie, Chairman of the Board for Ilera Healthcare said, "Our board is truly excited and fully supports this transaction. Together Ilera and TerrAscend bring a wealth of knowledge and expertise to the market. Our alignment will provide an even greater service of care to patients in our state."

## **About TerrAscend**

TerrAscend provides quality products, brands, and services to the global cannabinoid market. As the first North American Operator (NAO) with scale operations in both Canada and the US, the Company participates in the medical and legal adult use market across Canada and in several US states where cannabis has been legalized for therapeutic or adult use. Additionally, TerrAscend will soon be the first and only cannabis company with sales in the US, Canada, and Europe as it has received EU GMP certification for its manufacturing facility in Mississauga, Ontario. TerrAscend operates a number of synergistic businesses, including The Apothecarium, an award-winning cannabis dispensary with several retail locations in California and Nevada; Arise Bioscience Inc., a manufacturer and distributor of hemp-derived products; Ascendant Laboratories Inc., a biotechnology and licensing company committed to the continuous improvement of cannabinoid expressing plants; Solace RX Inc., a proposed Drug Preparation Premises (DPP) focused on the development of novel formulations and delivery forms; and Valhalla Confections, a manufacturer of premium cannabis-infused edibles. For more information, visit <https://www.terrascent.com>

### **About Ilera Healthcare**

Ilera Healthcare is Pennsylvania's premier medical marijuana cultivator, processor and dispenser, offering patients registered in the Pennsylvania Medical Marijuana program with products that provide the relief they want to lead healthier lives. Ilera Healthcare operates its primary dispensary in Plymouth Meeting, Pennsylvania, with plans to open two additional dispensary sites in Pennsylvania within the year. Through their state-of-the-art cultivation, extraction, and processing facility in Waterfall, Pennsylvania, Ilera Healthcare strives to drive medical advancements through its formulations and shape the future of medical marijuana-based therapies. For more information about Ilera Healthcare, visit <http://www.ilerahhealthcare.com>.

### **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 United States. Cannabis remains a Schedule I drug under the US Controlled Substances Act, making it illegal under federal law in the United States to, among other things, cultivate, distribute or possess cannabis in the United States. Financial transactions involving proceeds generated by, or intended to promote, cannabis-related business activities in the United States 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 United States 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 TerrAscend of liability under US federal law, nor will it provide a defense to any federal proceeding which may be brought against TerrAscend. Following any investment made by TerrAscend in operations in the United States, enforcement of federal laws in the United States will be a significant risk to the business of TerrAscend and any proceedings brought against TerrAscend thereunder may adversely affect TerrAscend'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 the completion of the transactions discussed herein, the payment of future consideration therefor and the anticipated benefits thereof, as well as future plans for Ilera (including additional dispensaries) and sales by TerrAscend into Europe. 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 inability of the parties to satisfy the conditions to closing of the transaction in a timely way or at all; TerrAscend's ability to fund any future consideration payments; 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; and fluctuations in foreign currency exchange rates.

## **Financial Outlook**


This press release contains financial outlook within the meaning of applicable Canadian securities laws. The financial outlook has been prepared by management of TerrAscend to provide an outlook for calendar year 2019 and may not be appropriate for any other purpose. The financial outlook has been prepared based on a number of assumptions including the assumptions discussed under the heading "Forward Looking Information" above and assumptions with respect to production, pricing, demand and that the acquisition of the Nevada operations of The Apothecarium will be completed late in the third quarter of 2019. The actual results of TerrAscend's operations for any period will likely vary from the amounts set forth in these projections and such variations may be material. TerrAscend and its management believe that the financial outlook has been prepared on a reasonable basis. However, because this information is highly subjective and subject to numerous risks, including the risks discussed under the heading "Forward Looking Information" above, it should not be relied on as necessarily indicative of future results. Except as required by applicable Canadian securities laws, TerrAscend undertakes no obligation to update the financial outlook.

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).

<sup>1</sup> Based on unaudited financial statements prepared in accordance with U.S. GAAP.

<sup>2</sup> Such cash consideration will be paid out of working capital and / or subsequent financing proceeds.

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