August 7, 2020

iAnthus

iAnthus Obtains Interim Court Order and Announces Meeting Details in Connection with its Recapitalization Transaction

NEW YORK and TORONTO, Aug. 7, 2020 /PRNewswire/ - iAnthus Capital Holdings, Inc. ("iAnthus" or the "Company") (CSE: IAN), (OTCQX: ITHUF), which owns, operates, and partners with regulated cannabis operations across the United States, announced today that the Supreme Court of British Columbia (the "Court") has issued an interim order (the "Interim Order") authorizing, among other things, the holding of the following meetings (the "Meetings"): (i) a meeting (the "Secured Noteholders' Meeting") of holders (the "Secured Noteholders") of 13% senior secured convertible debentures (the "Secured Notes") issued by iAnthus Capital Management, LLC ("ICM"), the Company's wholly-owned US subsidiary; (ii) a meeting (the "Unsecured Debenture Holders' Meeting") of holders (the "Unsecured Debentureholders") of 8% convertible unsecured debentures (the "Unsecured Debentures") issued by the Company; and (iii) a meeting (the "Equityholders' Meeting") of holders of the Company's common shares (the "Common Shares"), options (the "Options") and warrants (the "Warrants") (collectively, the "Existing Equityholders"), in each case to consider and vote upon a corporate plan of arrangement under the British Columbia *Business Corporations Act* (the "Plan of Arrangement") to implement the previously announced recapitalization transaction (the "Recapitalization Transaction").

The Recapitalization Transaction

As disclosed in the Company's news release dated July 13, 2020 (a copy of which is available under the Company's SEDAR profile at www.sedar.com) (the "July 13 News Release"), the Recapitalization Transaction will be implemented pursuant to the Plan of Arrangement, or, only if necessary, the *Companies' Creditors Arrangement Act* ("CCAA"). If the Recapitalization Transaction is completed through the Plan of Arrangement, the existing holders of Common Shares at the time of completion (the "Existing Shareholders") will retain approximately 2.75% of the ownership of the Common Shares (the "Common Shareholder Interest").

If the Recapitalization Transaction does not obtain the required support from the Company's shareholders, the Recapitalization Transaction will be implemented through proceedings under the CCAA ("CCAA Proceedings"). If implementation of the Recapitalization Transaction occurs through CCAA Proceedings, Existing Shareholders will not retain any ownership of Common Shares or receive any recovery (i.e., 0% of the ownership of the Common Shares) and the Common Shareholder Interest will instead be allocated equally as among the Secured Noteholders and the Unsecured Debentureholders.

The Meetings

The Meetings are scheduled to be held on September 14, 2020. The Secured Noteholders' Meeting is scheduled to begin at 9:00 a.m. (Vancouver time), the Unsecured Debenture Holders' Meeting is scheduled to begin at 10:00 a.m. (Vancouver time), and the Equityholders' Meeting is scheduled to begin at 11:00 a.m. (Vancouver time).

Pursuant to the Interim Order, the record date for the Meetings is the close of business (Vancouver time) on August 6, 2020 (the "Record Date").

The Voting Deadlines

The deadline for: (i) the Secured Noteholders, (ii) the Unsecured Debenture Holders, and (iii) the Existing Equityholders to submit their respective proxies or voting instructions in order to vote on the Plan of Arrangement is 9:00 a.m., 10:00 a.m. and 11:00 a.m., respectively (Vancouver time), on September 10, 2020. Banks, brokers or other intermediaries that hold Secured Notes, Unsecured Debentures, Common Shares, Options or Warrants on a securityholder's behalf may have internal deadlines that require securityholders to submit their votes by an earlier date. Securityholders are encouraged to contact their intermediaries directly to confirm any such internal deadline.

Requisite Approval for the Plan of Arrangement

- The required level of approval for the Plan of Arrangement at the Secured Noteholders' Meeting will be a majority (at least 50% + 1) in number of the Secured Noteholders voting in person or by proxy at the Secured Noteholders' Meeting, representing not less than three-quarters (75%) in value of the Secured Notes. Each Secured Noteholder will be entitled to one vote for each US$1,000 principal amount of Secured Notes held.
- The required level of approval for the Plan of Arrangement at the Unsecured Debenture Holders' Meeting will be a majority (at least 50% + 1) in number of the Unsecured Debenture Holders voting in person or by proxy at the Unsecured Debenture Holders' Meeting, representing not less than three-quarters (75%) in value of the Unsecured Debentures. Each Unsecured Debenture Holder will be entitled to one vote for each US$1,000 principal amount of Unsecured Debentures held.
- The required level of approval for the Plan of Arrangement at the Equityholders' Meeting will be: (i) a majority (at least 50% + 1) of votes cast by Existing Shareholders, excluding votes of Common Shares held or controlled by Related Shareholders (as defined below), present in person or by proxy at the Equityholders' Meeting, voting together as a single class, on the basis of one vote for each Common Share held as of the Record Date; and (ii) a majority (at least 50% + 1) of votes cast by Existing Equityholders present in person or by proxy at the Equityholders' Meeting, voting together as a single class, on the basis of one vote for each Common Share held or eligible to be received upon the exercise of outstanding Options or Warrants held, as applicable, as of the Record Date.

The term "Related Shareholders" means "interested parties", "related parties" of any interested parties (unless the related party meets that description solely in its capacity as a director or senior officer of one or more persons that are neither interested parties nor issuer insiders of the Company) and "joint actors" of the foregoing (as such terms are defined in Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions* ("MI 61-101")). It is expected that the only Related Shareholder who holds or

exercises control over Common Shares at the time of the Equityholders' Meeting will be Gotham Green (as defined below).

Pursuant to the terms of the restructuring support agreement dated July 10, 2020 (the "Support Agreement") among the Company, certain of the Company's subsidiaries, the Secured Noteholders and certain holders of the Unsecured Debentures (the "Initial Consenting Unsecured Debenture Holders"), 100% of the Secured Noteholders and over 91% of the Unsecured Debentureholders have agreed to vote in favour of the Recapitalization Transaction at the Secured Noteholders' Meeting and the Unsecured Debenture Holders' Meeting, respectively. For additional details on the Support Agreement, see the July 13 News Release.

Attendance at the Meetings

To proactively deal with the public health impact of the novel coronavirus, also known as COVID-19, and to mitigate risks to health and safety, the Company will be holding the Meetings in a virtual-only format, which will be conducted via live audio webcast available online using the LUMI meeting platform. During the live audio webcasts, Secured Noteholders, Unsecured Debenture Holders and Equityholders will be able to hear the Secured Noteholders' Meeting, the Unsecured Debenture Holders' Meeting and the Equityholders' Meeting respectively, and such securityholders and duly appointed and registered proxyholders will be able to submit questions and vote when their applicable Meeting is being held. The management information circular of the Company in respect of the Meetings (the "Circular") provides important and detailed instructions about how to participate at the Meetings.

Information Circular

The Circular contains information regarding procedures for voting on the Plan of Arrangement, as well as other background and material information regarding the Recapitalization Transaction. The Company expects the mailing of the Circular to begin on or about August 17, 2020. The Circular and the forms of proxies will also be available as follows:

- on iAnthus' website at www.ianthus.com;
- under iAnthus' SEDAR profile at www.sedar.com;
- through Laurel Hill Advisory Group by calling toll free at 1-877-452-7184 or 1-416-304-0211 or by email at assistance@laurelhill.com.

Securityholders' Questions or Voting Assistance

iAnthus' securityholders who have questions or need assistance with voting their respective Secured Notes, Unsecured Debentures, Shares, Options and/or Warrants can also contact the iAnthus' Proxy Solicitation Agent, Laurel Hill Advisory Group.

Laurel Hill Advisory Group

North American Toll Free: 1-877-452-7184
Calls Outside North America: 1-416-304-0211
Email: assistance@laurelhill.com

Arrangement Agreement

The Company and ICM entered into an arrangement agreement dated August 6, 2020 (the "Arrangement Agreement") which governs the terms and conditions of the Plan of Arrangement. Details of the Arrangement Agreement and the Plan of Arrangement are included in the schedule to this news release which is qualified in its entirety with reference to the full text of the Arrangement Agreement and the Plan of Arrangement attached thereto, a copy of each of which will be filed under the Company's SEDAR profile at www.sedar.com.

Court Approval and Implementation

If the Plan of Arrangement is approved by the requisite majorities at the Meetings, the Company and ICM will attend a hearing before the Court currently scheduled for September 25, 2020, or such other date as may be set by the Court to seek final Court approval for the Plan of Arrangement (the "Final Order").

Certain of the transactions contemplated by the Recapitalization Transaction may trigger a review and approval requirement by state-level regulators in certain U.S. states with jurisdiction over the licensed cannabis operations of entities owned in whole or in part or controlled directly or indirectly by iAnthus, including potentially: Arizona, Colorado, Florida, Maryland, Massachusetts, Nevada, New Jersey, New Mexico, New York and Vermont. Where required, iAnthus intends to promptly commence the review and approval process and to expedite the process to the greatest extent possible.

Related Shareholders

As previously disclosed in the July 13 News Release, certain of the Secured Lenders (as defined below) (being funds affiliated with Gotham Green Partners, LLC (collectively "Gotham Green")) are "related parties" as such term is defined in MI 61-101. Accordingly, the Recapitalization Transaction is a "related party transaction" as defined in MI 61-101 since certain of the Secured Noteholders and the Interim Lenders (as defined below) (together, the "Secured Lenders") are each a "related party" (as defined in MI 61-101) of the Company. The Company will rely on the exemption from the formal valuation requirement at section 5.5(b) of MI 61-101 (Issuer Not Listed on Specified Markets) in respect of the Recapitalization Transaction. As a result of the Company holding the Equityholders' Meeting, the exemption from minority approval requirement at Section 5.7(e) of MI 61-101 (Financial Hardship) in respect of the Recapitalization Transaction may not be available and accordingly, the Company is not relying on an exemption for minority approval.

About iAnthus

iAnthus owns and operates licensed cannabis cultivation, processing and dispensary facilities throughout the United States, providing investors diversified exposure to the U.S. regulated cannabis industry. Founded by entrepreneurs with decades of experience in operations, investment banking, corporate finance, law and healthcare services, iAnthus provides a unique combination of capital and hands-on operating and management expertise. iAnthus currently has a presence in 11 states and operates 36 dispensaries (AZ-4, MA-1, MD-3, FL-16, NY-3, CO-1, VT-1 and NM-7 where iAnthus has minority ownership). For more information, visit www.iAnthus.com.

COVID-19 Risk Factor

The Company may be impacted by business interruptions resulting from pandemics and public health emergencies, including those related to COVID-19. An outbreak of infectious disease, a pandemic, or a similar public health threat, such as the recent outbreak of COVID-19, or a fear of any of the foregoing could adversely impact the Company by causing operating, manufacturing, supply chain, and project development delays and disruptions, labor shortages, travel, and shipping disruption and shutdowns (including as a result of government regulation and prevention measures). It is unknown whether and how the Company may be affected if such a pandemic persists for an extended period of time, including as a result of the waiver of regulatory requirements or the implementation of emergency regulations to which the Company is subject. Although the Company has been deemed essential and/or has been permitted to continue operating its facilities in the states in which it cultivates, processes, manufactures, and sells cannabis during the pendency of the COVID-19 pandemic, there is no assurance that the Company's operations will continue to be deemed essential and/or will continue to be permitted to operate. The Company may incur expenses or delays relating to such events outside of its control, which could have a material adverse impact on its business, operating results, financial condition, and the trading price of the Common Shares.

Forward Looking Statements

Statements in this news release that are forward-looking statements are subject to various risks and uncertainties, including concerning COVID-19 and the specific factors disclosed here and elsewhere in iAnthus' periodic filings with Canadian securities regulators. When used in this news release, words such as "will", "hope", "could", "plan", "estimate", "expect", "intend", "may", "potential", "believe", "should", "our vision" and similar expressions, are forward-looking statements.

Forward-looking statements may include, without limitation, statements relating to: the implementation and completion of the Recapitalization Transaction, the exclusion from voting of the Related Shareholders, and the mailing date for the materials for the Meetings.

Readers should not place undue reliance on forward-looking statements. The forward-looking statements in this news release are made as of the date of this release. iAnthus disclaims any intention or obligation to update or revise such information, except as required by applicable law, and iAnthus does not assume any liability for disclosure relating to any other company mentioned herein.

The Canadian Securities Exchange has not reviewed, approved or disapproved the content of this news release.

The securities to be issued pursuant to the Restructuring Transaction have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and may not be offered or sold within the United States or to U.S. persons unless registered under the U.S. Securities Act and applicable state securities laws, or an exemption from such registration is available. This news release does not constitute an offer to sell or a solicitation of an offer to buy any securities. "United States" and "U.S. person" are as defined in Regulation S under the U.S. Securities Act.

SCHEDULE

Arrangement Agreement

The Arrangement Agreement and Plan of Arrangement

The Arrangement Agreement

The Recapitalization Transaction, if approved by the Secured Noteholders, Unsecured Debenture Holders and the Existing Equityholders, will be completed pursuant to the terms of the Arrangement Agreement. The Arrangement Agreement sets out the representations and warranties, covenants, and other obligations of each of iAnthus and ICM in respect of the implementation of the Plan of Arrangement, which is described below, including applying to the Court for the Interim Order, convening and holding the Meetings to approve the Recapitalization Transaction, soliciting proxies to vote in favour of the Recapitalization Transaction, applying for the Final Order upon receipt of applicable securityholder approvals, and performing such other obligations as are required to give effect to the Plan of Arrangement.

The obligations of iAnthus and ICM under the Arrangement Agreement are subject to the satisfaction of certain conditions precedent, including: (a) the conditions precedent set out in the Support Agreement being fulfilled, satisfied or waived pursuant to the terms thereof; (b) the conditions precedent set out in the Plan of Arrangement being fulfilled, satisfied or waived pursuant to the terms thereof; (c) all necessary corporate actions and proceedings in connection with the Plan of Arrangement have been taken; and (d) the issuance of New Secured Notes, New Unsecured Notes and Debt Exchange Common Shares (each as defined below) pursuant to the Plan of Arrangement being exempt from the registration requirements under the US Securities Act and the registration and qualification requirements of all applicable state securities laws.

The Plan of Arrangement

The Plan of Arrangement sets out the specific steps that are necessary to give effect to the Recapitalization Transaction. Pursuant to the Plan of Arrangement, among other things:

<u>Treatment of Secured Lenders (including Interim Lenders)</u>

- the principal amount of the outstanding Secured Notes held by Secured Noteholders will be reduced from approximately US$98 million to US$85 million (the "Restructured Senior Debt"). The principal amount of this Restructured Senior Debt has increased by the principal amount of the previously disclosed interim financing in the amount of $14,736,842.11 provided by certain Gotham Green related parties (the "Interim Lenders") , resulting in an aggregate principal amount of $99,736, 842.11. The secured notes issued in connection with the Restructured Senior Debt (the "New Secured Notes") will continue to have a first lien, senior secured position over all of the assets of the Company and its subsidiaries, and will carry an 8% payment in kind ("PIK") annual interest rate, compounding quarterly. New Secured Notes will be non-convertible, will mature five years after the completion of the Recapitalization Transaction and will be non-callable for a period of three years;
- as consideration for the Restructured Senior Debt, the Secured Lenders (including the

Interim Lenders) will receive, in the aggregate, US$5 million principal amount of unsecured notes of ICM (the "New Unsecured Notes"). The New Unsecured Notes will be subordinate to the New Secured Notes, but will have priority over the Common Shares, and will carry an 8% PIK annual interest rate, compounding quarterly. The New Unsecured Notes will be non-convertible, will mature five years after the completion of the Recapitalization Transaction and will be non-callable for a period of three years;
- the Secured Lenders (including the Interim Lenders) will also be issued, in the aggregate, a number of Common Shares that will be equal to 48.625% of the issued and outstanding Common Shares after giving effect to the Recapitalization Transaction;

Treatment of Debenture Holders

- all issued and outstanding Unsecured Debentures will be terminated. As consideration therefor, the Unsecured Debenture Holders will receive, in the aggregate, US$15 million principal amount of New Unsecured Notes on terms identical to the New Unsecured Notes issued to the Secured Lenders (including Interim Lenders) as described above;
- the Unsecured Debenture Holders will also be issued, in the aggregate, a number of Common Shares that will be equal to 48.625% of the issued and outstanding Common Shares after giving effect to the Recapitalization Transaction;

Treatment of Existing Shareholders

- the Existing Shareholders will retain, in the aggregate, an approximate 2.75% ownership interest in the issued and outstanding Common Shares; and
- all outstanding Options and Warrants will be terminated for no additional consideration.

Reconstitution of the Board of Directors

The Plan of Arrangement provides that the board of directors of iAnthus (the "New Board") will be reconstituted as follows: (i) three nominees appointed by the Secured Noteholders; (ii) three nominees appointed by the Initial Consenting Unsecured Debentureholders; and (iii) a new CEO as the seventh member of the New Board, to be agreed upon by the Secured Noteholders' and Initial Consenting Unsecured Debentureholders' nominees.

View original content:http://www.prnewswire.com/news-releases/ianthus-obtains-interim-court-order-and-announces-meeting-details-in-connection-with-its-recapitalization-transaction-301108305.html

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