

TerrAscend to Acquire Gage Cannabis



Gage Cannabis Co. Logo (CNW Group/TerrAscend)

Establishes Leading Presence in Michigan, the Third Largest U.S. Cannabis Market

Combines Industry Leading Retail, Cultivation and Operations Teams Across 7 Cultivation Facilities and 23 Operational Retail Locations in 5 States

The Gage Brand, One of the Most Influential and Innovative in Michigan, to Be Featured Across TerrAscend's Current and Future Markets

NEW YORK, DETROIT and TORONTO, Sept. 1, 2021 /CNW/ - TerrAscend Corp. ("TerrAscend" or the "Company") (CSE: TER) (OTCQX: TRSSF), a leading North American cannabis multi-state operator, and Gage Growth Corp. ("Gage") (CSE: GAGE), a leading high-quality premium cannabis brand and operator, today announced that they have entered into a definitive arrangement agreement (the "Arrangement Agreement") pursuant to which TerrAscend will acquire all of the issued and outstanding subordinate voting shares (the "Gage Shares") of Gage by way of a court-approved plan of arrangement under the *Canada Business Corporations Act* (the "Transaction"). All references to dollar values refer to US dollars unless otherwise noted.

Under the terms of the Arrangement Agreement, shareholders of Gage (the "Gage Shareholders") will receive 0.3001 of a common share of TerrAscend for each Gage Share (or equivalent) held (the "Exchange Ratio"), representing a total consideration of approximately \$545 million¹ based on the closing price of TerrAscend on August 31, 2021. The Exchange Ratio implies a consideration of \$2.11 (or C\$2.66) per Gage Share, representing a 18% premium based on the closing prices of both companies' shares on the Canadian Securities Exchange (the "CSE") on August 31, 2021.

Upon completion of the Transaction, the combined business will have operations in 5 states and Canada, including 7 cultivation and processing facilities and 23 operating dispensaries serving both medical and adult-use cannabis markets in the U.S. and Canada.

Management Commentary

"The acquisition of Gage expands our footprint to the third largest cannabis market in the U.S.," said Jason Wild, Executive Chairman of TerrAscend. "Combining our market-leading share in our existing states with Gage's proven cultivation, retail, and marketing capabilities, creates one of the largest and most dynamic companies in the industry. We look forward to leveraging Gage's profound connection with Michigan's consumers, in addition to its established partnerships with award-winning brands like COOKIES, to provide our patients and customers with best-in-class product offerings and retail experiences."

"Our shared strategic and corporate values make this combination a strong fit," said Fabian Monaco, CEO of Gage. "We also recognize the incredible success that TerrAscend has enjoyed in recent years. We could think of no better company to partner with as we execute on our shared strategy of

deep vertical integration and scale in our core markets, with a vision of creating the most consumer-centric cannabis company in the world."

Key Transaction Highlights and Benefits

If consummated, the Transaction is anticipated to result in the following benefits:

- **Leadership in a Top 3 Market:** Gage has established itself as a leader in the Michigan market, which is the third largest cannabis market in the U.S.² with reported cannabis sales of \$171 million in the month of July 2021, representing an annualized market size of approximately \$2.1 billion².
- **Premium Brands:** The Transaction will provide access to Gage's sought-after brand and proprietary library of genetics as well as Gage's exclusive licensing partnerships in Michigan with COOKIES, SLANG Worldwide, Blue River, Pure Beauty, and Khalifa Kush.
- **Efficient Operating Model:** The combined company will operate 7 cultivation facilities, including 3 cultivation facilities in Michigan, in addition to Gage's 9 contract grow agreements.
- **Expanding Retail Footprint:** The combined company will operate a retail network expected to reach 34 stores over the coming months. This includes 23 currently open dispensaries across 5 states with Gage operating 10 dispensaries in Michigan in addition to TerrAscend's 13 store footprint in key markets including California, New Jersey and Pennsylvania. TerrAscend is expected to open its 14th dispensary in the fourth quarter in Lodi, New Jersey and Gage is expected to open 10 additional dispensaries across Michigan in the coming months.
- **A Leader in Experiential Retail:** Gage's award-winning retail stores generate industry leading retail metrics, including strong average basket size (\$152 in the second quarter of 2021 compared to Michigan average of \$85³) and premium pricing for its flower products (40%+ relative to the Michigan market average price²). TerrAscend expects to leverage Gage's portfolio of over 40+ proprietary flower strains in addition to brand and marketing capabilities, at retail locations in other states.
- **Expert Operating Teams:** The Transaction combines management teams with similar core philosophies, strong track records of execution and operational expertise in building leading businesses in the most competitive cannabis markets in the country.

Balance Sheet Strength: Gage's \$32.8 million cash position with minimal debt as of June 30, 2021, combined with TerrAscend's strong balance sheet, positions the combined company to execute on its growth plans.

NOTES:

¹Calculated equity value on a fully diluted basis

²Marijuana Regulatory Agency – State of Michigan

³Detroit Metro Times

The Transaction Details

The Transaction will be effected by way of a court-approved plan of arrangement pursuant to the *Canada Business Corporations Act*. Under the terms of the Arrangement Agreement, TerrAscend will acquire all of the issued and outstanding Gage Shares, with each Gage Shareholder receiving 0.3001 of a common share in the capital of TerrAscend for each Gage Share, implying a price per Gage Share of \$2.11 (or C\$2.66) which represents an 18% premium based on the closing prices of both companies shares on August 31, 2021. After giving effect to the Transaction, Gage Shareholders will hold approximately 19.8% of the issued and outstanding pro forma TerrAscend Shares (on a fully-diluted as-converted basis). In connection with the Transaction, all outstanding options and warrants of Gage will be exchanged for replacement options and warrants of TerrAscend, exercisable to acquire that number of common shares of TerrAscend as is equal to the Exchange Ratio multiplied by the number of Gage Shares that the holders of the options or the

warrants would have acquired if such holders had exercised such options or warrants immediately prior to the effective time of the Transaction.

In connection with and as an integral part of the Transaction, TerrAscend, through a wholly-owned and controlled subsidiary (the "TerrAscend Subsidiary"), has entered into a membership interest purchase agreement with the owners of the licenses that Gage supports in the State of Michigan (the "Licensed Operators") to acquire, subject to regulatory approvals, all of the issued and outstanding membership interests of each of the Licensed Operators and/or all of the licenses owned by such Licensed Operators (the "License Assets").

As part of the Transaction, exchangeable shares (each of which is exchangeable into Gage Shares) indirectly owned by Rami Reda, an insider of Gage, will be transferred (along with all super voting shares of Gage attached to such exchangeable shares) to TerrAscend in exchange for TerrAscend Shares on the basis of the Exchange Ratio.

Certain exchangeable units (each of which is exchangeable into Gage Shares) held by Mike Hermiz, a director and officer of Gage, will remain in place following the closing of the Transaction. In this regard, Mr. Hermiz, Gage, TerrAscend and certain subsidiaries of Gage will, concurrently with the closing of the Transaction, enter into a support agreement that will, among other things, govern the terms and conditions under which Mr. Hermiz will be entitled to exchange his exchangeable units into TerrAscend Shares on the basis of the Exchange Ratio. In addition, all super voting shares of Gage held by Mr. Hermiz will be transferred to TerrAscend in connection with the closing Transaction for no consideration.

Additional details of the Transaction will be described in the management information circulars that will be mailed to Gage Shareholders (the "Gage Circular") and TerrAscend shareholders (the "TerrAscend Circular"), respectively, in connection with a special meeting of Gage Shareholders (the "Gage Meeting") and a special meeting of TerrAscend Shareholders (the "TerrAscend Meeting") expected to be held in the fourth quarter to approve the Transaction. Additional information regarding the terms of the Arrangement Agreement, the background to the Transaction, the rationale for the recommendations made by the Special Committees (as defined below) and how shareholders can participate in and vote at the Gage Meeting or TerrAscend Meeting will be provided in the Gage Circular or TerrAscend Circular, as applicable.

The Transaction is subject to the approval of (i) at least two-thirds of the votes cast by Gage Shareholders at the Gage Meeting; (ii) a majority of the votes cast by Gage Shareholders at the Gage Meeting (excluding the votes cast by persons whose votes may not be included in determining minority approval of a "business combination" pursuant to Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("MI 61-101")); and (iii) a majority of the votes cast by disinterested shareholders of TerrAscend ("TerrAscend Shareholders") at the TerrAscend Meeting (excluding the votes cast by persons whose votes may not be included in determining minority approval of a "related party transaction" pursuant to MI 61-101).

All of Gage's directors and officers, and shareholders holding more than 58.50% of the total voting power of the issued and outstanding Gage Shares have entered into voting support and lock-up agreements with TerrAscend to vote in favor of the Transaction. This represents approximately 29.1% of the voting power of the issued and outstanding Gage Shares entitled to vote for purposes of the disinterested shareholder vote required pursuant to MI 61-101 (after excluding the votes attached to Gage Shares held by certain "interested parties", all in accordance with MI 61-101). In addition, all directors and officers of TerrAscend have entered into voting support agreements to vote in favour of the Transaction at the TerrAscend Meeting, to the extent such individuals are permitted to do so under applicable securities laws.

In addition to the aforementioned approvals, completion of the Transaction is subject to receipt of all applicable regulatory approvals for the TerrAscend Subsidiary to obtain ownership of the License

Assets representing at least 70% of Gage's consolidated revenues and other customary conditions, including the receipt of all necessary court, regulatory and stock exchange approvals. Subject to the receipt of all required approvals, closing of the Transaction is expected to occur in the first half of 2022.

The Arrangement Agreement contains customary terms and conditions, including non-solicitation provisions which are subject to Gage's right to consider and accept a superior proposal subject to a matching right in favour of TerrAscend. The Arrangement Agreement also provides for the payment of a termination fee of \$30 million by TerrAscend or Gage, as applicable, if the Transaction is not completed under certain limited circumstances.

A copy of the Arrangement Agreement will be available through Gage's and TerrAscend's filings with the securities regulatory authorities in Canada in SEDAR at www.sedar.com.

None of the securities to be issued pursuant to the Arrangement Agreement have been or will be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws, and any securities issued in the Transaction are anticipated to be issued in reliance upon available exemptions from such registration requirements pursuant to Section 3(a)(10) of the U.S. Securities Act and applicable exemptions under state securities laws. This news release does not constitute an offer to sell or the solicitation of an offer to buy any securities.

If the Transaction is completed, the Gage Shares will be delisted from the CSE.

Multilateral Instrument 61-101

The Transaction constitutes a "business combination" under MI 61-101 for Gage and a "related party transaction" under MI 61-101 for TerrAscend as Jason Wild, is a "control person" of both Gage and TerrAscend. TerrAscend and Gage are each relying on the formal valuation exemption under MI 61-101, on the basis that no securities of Gage or TerrAscend are listed on the Toronto Stock Exchange or other specified markets. As required by MI 61-101, each of Gage and TerrAscend will seek the requisite majority of the minority approvals of the Transaction from the Gage Shareholders and the TerrAscend Shareholders at the Gage Meeting and the TerrAscend Meeting, excluding the votes of shareholders whose votes are required to be excluded for the purposes of "minority approval" under MI 61-101 in the context of a "business combination" and a "related party transaction", respectively.

Upon closing of the Transaction, JW Asset Management, LLC, an entity controlled by Jason Wild, currently the holder of approximately 39% of TerrAscend Shares will hold approximately 32% of TerrAscend Shares on a partially diluted basis.

In addition, JW Asset Management, LLC and its joint actors hold or exercise direction or control over approximately 16.34% of the Gage Shares (on an as exchanged basis) and warrants to acquire an additional 23,757,145 Gage Shares. As a result of the foregoing, Jason Wild and his joint actors will be excluded from the disinterested shareholder vote conducted at both the TerrAscend Meeting and the Gage Meeting in accordance with MI 61-101.

In addition, the preservation of the ability of Mr. Hermiz to continue to hold his exchangeable units following the closing the Transaction constitutes a "collateral benefit" to him for purposes of M 61-101. Accordingly, Mr. Hermiz will be classified as an interested party for purposes of the Gage disinterested shareholder vote pursuant to MI 61-101. Mr. Hermiz holds 8,500,000 subordinate voting shares and 900,000 super voting shares (each super voting share entitles the holder to 50 votes) of Gage (representing approximately 25% of the voting power of the issued and outstanding Gage Shares).

Recommendation of the TerrAscend Special Committee and TerrAscend's Board

The special committee of the TerrAscend board of directors (the "TerrAscend Special Committee"), comprised of Craig Collard, after receiving the oral fairness opinions from the TerrAscend Special Committee's financial advisors described below, and independent legal and financial advice, has recommended the Transaction having determined that the Transaction is in the best interests of TerrAscend and that the Transaction is fair to the minority shareholders of TerrAscend.

The TerrAscend Special Committee has obtained oral fairness opinions from each of ATB Capital Markets Inc. and Haywood Securities Inc. to the effect that, as of the date of the Arrangement Agreement, and subject to the assumptions, limitations and qualifications on which such opinions are based, the Transaction is fair, from a financial point of view, to TerrAscend and its shareholders.

After receiving the recommendations of the TerrAscend Special Committee, the disinterested members of TerrAscend's board of directors have unanimously determined that (i) the Transaction is in the best interests of TerrAscend and that the Transaction is fair to TerrAscend's minority shareholders; (ii) it approve and authorize the Transaction and the entering into of the Arrangement Agreement and all ancillary agreements; and (iii) in accordance with and subject to the terms of the Arrangement Agreement, it recommend to TerrAscend's minority shareholders that they vote in favour of the resolution to approve the Transaction at the TerrAscend Meeting.

Additional details concerning the rationale for the recommendations made by the TerrAscend Special Committee and TerrAscend's board of directors, including copies of the fairness opinions prepared by the TerrAscend Special Committee's independent financial advisors, will be set out in the TerrAscend Circular to be filed and mailed to TerrAscend shareholders in the coming weeks, which, together with the Arrangement Agreement, will be available under TerrAscend's profile at www.sedar.com.

Each of: (i) Mr. Jason Wild, a director and the executive chairman of TerrAscend and President and Chief Investment Officer of JW Asset Management, LLC (a control person of both TerrAscend and Gage), and (ii) Mr. Richard Mavrinc, a director of both TerrAscend and Gage, declared their respective interests to the TerrAscend board of directors and did not attend any part of the meeting of the TerrAscend board of directors during which the Transaction was discussed and approved and neither Mr. Wild nor Mr. Mavrinc voted on the approval of the Transaction.

Recommendation of Gage's Board

The special committee (the "Gage Special Committee") of the board of directors of Gage (the "Gage Board"), comprised of Bruce Linton and Dr. Rana Harb, after receiving legal and financial advice, including the fairness opinion from its independent financial advisor discussed below, has unanimously recommended the Transaction having determined that the consideration to be received by the Gage Shareholders pursuant to the Transaction is fair, from a financial point of view, to the Gage Shareholders.

The Gage Special Committee has obtained an oral fairness opinion from Eight Capital to the effect that, as of the date of the Arrangement Agreement, and subject to the assumptions, limitations and qualifications on which such opinions are based, the consideration to be received by the Gage Shareholders pursuant to the Transaction is fair, from a financial point of view, to the Gage Shareholders.

After receiving the recommendations of the Gage Special Committee, and the fairness opinion from its independent financial advisor discussed below, the disinterested members of the Gage Board have unanimously determined that (i) the consideration to be received by the Gage Shareholders pursuant to the Transaction is fair, from a financial point of view, to the Gage Shareholders; (ii) the Transaction is in the best interests of Gage; and (iii) it approve and authorize the Transaction and the entering into of the Arrangement Agreement and all ancillary agreements; and (iv) in accordance with and subject to the terms of the Arrangement Agreement, it recommend to the Gage

Shareholders that they vote in favour of the resolution to approve the Transaction at the Gage Meeting.

The Gage Board has obtained an oral fairness opinion from Clarus Securities to the effect that, as of the date of the Arrangement Agreement, and subject to the assumptions, limitations and qualifications on which such opinions are based, the consideration to be received by the Gage Shareholders pursuant to the Transaction is fair, from a financial point of view, to the Gage Shareholders.

Additional details concerning the rationale for the recommendations made by the Gage Special Committee and the Gage Board, including copies of the fairness opinions prepared by the independent financial advisor to the Gage Special Committee and the Gage Board, will be set out in the Gage Circular to be filed and mailed to the Gage Shareholders in the coming weeks, which, together with the Arrangement Agreement, will be available under Gage's profile at www.sedar.com.

Mr. Richard Mavrinac, a director of both TerrAscend and Gage, declared his interests to the Gage Board and did not attend any part of the meeting of the Gage Board during which the Transaction was discussed and approved and Mr. Mavrinac did not vote on the approval of the Transaction.

Advisors

Norton Rose Fulbright acted as Canadian and U.S. legal counsel to TerrAscend. ATB Capital Markets Inc. and Haywood Securities Inc. acted as independent financial advisors to the TerrAscend Special Committee and Stikeman Elliott LLP acted as independent legal counsel to the TerrAscend Special Committee.

Dentons Canada LLP acted as legal counsel to Gage in Canada and Dickinson Wright PLLC acted as legal counsel to Gage in the United States. Eight Capital acted as independent financial advisor to the Gage Special Committee and Clarus Securities acted as independent financial advisor to the Gage Board.

The CSE has neither approved nor disapproved the contents of this news release. Neither the CSE nor its Market Regulator (as that term is defined in the policies of the CSE) accepts responsibility for the adequacy or accuracy of this release.

About TerrAscend

TerrAscend is a leading North American cannabis operator with vertically integrated operations in Pennsylvania, New Jersey, and California, licensed cultivation and processing operations in Maryland and licensed production in Canada. TerrAscend operates an award-winning chain of The Apothecarium dispensary retail locations as well as scaled cultivation, processing, and manufacturing facilities on both the East and West coasts. TerrAscend's best-in-class cultivation and manufacturing practices yield consistent, high-quality cannabis, providing industry-leading product selection to both the medical and legal adult-use market. The Company owns several synergistic businesses and brands, including The Apothecarium, Ilera Healthcare, Kind Tree, Prism, State Flower, Valhalla Confections, and Arise Bioscience Inc.

For more information about TerrAscend, visit www.terrascend.com.

About Gage

Gage Growth Corp. is innovating and curating the highest quality cannabis experiences possible for cannabis consumers in the state of Michigan and bringing internationally renowned brands to market. Through years of progressive industry experience, the firm's founding partners have successfully built and grown operations with federal and state licenses, including cultivation, processing and retail locations. Gage's portfolio includes city and state approvals for 19 "Class C" cultivation licenses,

three processing licenses and 15 provisioning centers (dispensaries).

For more information about Gage Growth Corp., visit www.gagecannabis.com or www.gageinvestors.com.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This news release contains "forward-looking information" within the meaning of applicable securities laws. Forward-looking information contained 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. Forward-looking information is not a guarantee of future performance and is 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.

Forward-looking statements in this news release include, but are not limited to: statements with respect to the anticipated completion of the Transaction and the timing for its completion; the timing for the holding of the TerrAscend Meeting and the Gage Meeting; the satisfaction of closing conditions which include, without limitation (i) required Gage and TerrAscend shareholder approvals, (ii) certain termination rights available to the parties under the Arrangement Agreement, (iii) obtaining the necessary approvals from the CSE for the listing of TerrAscend's common shares in connection with the Transaction, and (iv) other approvals and closing conditions contained in the Arrangement Agreement; statements with respect to the anticipated effects of the Transaction on TerrAscend and its strategy going forward and statements with respect to the anticipated benefits associated with the acquisition of Gage. Actual results and developments may differ materially from those contemplated by these statements.

Such forward-looking statements are based on certain assumptions regarding TerrAscend and Gage, including the successful completion of the Transaction, anticipated benefits from the Transaction, and expected growth, results of operations, performance, industry trends and growth opportunities. While TerrAscend and Gage consider these assumptions to be reasonable, based on information currently available, they may prove to be incorrect.

Among other things, there can be no assurance that the Transaction will be completed or that the anticipated benefits from the Transaction will be achieved. Readers are cautioned not to place undue reliance on forward-looking statements.

Forward-looking information is 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 information. Such risks and uncertainties include, but are not limited to, current and future market conditions; 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; with respect to TerrAscend and the risk factors set out in TerrAscend's most recently filed MD&A, filed with the Canadian securities regulators and available under TerrAscend's profile on SEDAR at www.sedar.com, and with respect to Gage, the risk factors set out in Gage's most recently filed MD&A, filed with the Canadian securities regulators and available under Gage's profile on SEDAR at www.sedar.com.

The statements in this press release are made as of the date of this release. TerrAscend and Gage 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.

The CSE accepts no responsibility for the adequacy or accuracy of this release.

Cautionary Note 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 or Gage of liability under U.S. federal law, nor will it provide a defense to any federal proceeding which may be brought against TerrAscend or Gage. The enforcement of federal laws in the United States is a significant risk to the respective business of TerrAscend and Gage and any proceedings brought against TerrAscend or Gage thereunder may adversely affect their respective operations and financial performance.

Third Party Information

This press release includes market and industry data that has been obtained from third party sources, including industry publications. Each of TerrAscend and Gage believes that the industry data is accurate and that its estimates and assumptions are reasonable, but there is no assurance as to the accuracy or completeness of this data. Third party sources generally state that the information contained therein has been obtained from sources believed to be reliable, but there is no assurance as to the accuracy or completeness of included information. Although the data is believed to be reliable, neither TerrAscend nor Gage has independently verified any of the data from third party sources referred to in this press release or ascertained the underlying economic assumptions relied upon by such sources.

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