

## Harvest Health & Recreation Signs Definitive Agreement to Acquire Verano Holdings to Become One of the Most Diversified U.S. Cannabis Operators

- *Creates national footprint with right to operate in 200+ facilities across 17 states and territories.*
- *Strategically combines geographically complementary, like-minded, market-leading multi-state operators focused on quality, operating excellence and profitable growth.*
- *Positioned to compete in rapidly transforming industry due to scale, commitment to localism, innovation, growth and superior product mix portfolio.*
- *Recent acquisitions pave the way for expanded wholesale distribution, national brands and infrastructure coast to coast*

PHOENIX— (April 23, 2019)—[Harvest Health & Recreation, Inc.](#) (CSE: HARV, OTCQX: HRVSE) ("**Harvest**"), a vertically-integrated and highly diversified cannabis company with a strong financial and growth profile, would become the largest multi-state operator (MSO) in the U.S. following closing of a definitive agreement signed on April 22, 2019 (the "**Business Combination Agreement**") to acquire (the "**Transaction**") [Verano Holdings, LLC](#) ("**Verano**"), as previously announced by press release dated March 11, 2019. Verano is one of the largest privately held multi-state, vertically integrated licensed operators of cannabis facilities with an extensive portfolio of premium branded products.

### **Transaction Overview**

Pursuant to the terms of the Business Combination Agreement, securityholders of Harvest and Verano will become securityholders in the combined company which will carry on the business of Harvest and Verano (the "**Resulting Issuer**"). The Transaction will be carried out by way of a plan of arrangement under the *Business Corporations Act* (British Columbia) whereby, among other things: (i) Harvest shareholders will exchange their shares in Harvest for equivalent securities in the Resulting Issuer on a 1:1 basis, and (ii) Verano securityholders will be issued a combination of subordinate voting shares and multiple voting shares in the capital of the Resulting Issuer in connection with the indirect exchange of their securities in Verano. The all-stock Transaction has an implied total acquisition cost of approximately USD \$850 million, based on a Harvest share price of CND \$8.79. In addition, the Transaction will include completion of various Verano pipeline acquisitions, with a combined value of approximately USD \$36 million, additional pipeline acquisitions that are in negotiations and may include certain entities that are ancillary to Harvest's business, payable in shares of the Resulting Issuer.

In connection with the Transaction, an application will be made to list the Resulting Issuer's subordinate voting shares for trading on the Canadian Securities Exchange (the "**CSE**").

The Transaction will require, among other approvals, the approval of at least 66 2/3% of the votes cast by each class of Harvest shareholders at a special meeting expected to take place in June 2019 (the "**Harvest Meeting**"). The board of directors of Harvest has unanimously approved the

Transaction and will recommend that Harvest shareholders vote in favour of the Transaction at the Harvest Meeting.

The Transaction is subject to, among other conditions, court approval, CSE approval, receipt of applicable shareholder approvals at the Harvest Meeting, certain additional regulatory approvals customary for a transaction of this nature, and the satisfaction or waiver of all closing conditions.

The Business Combination Agreement includes covenants typical of transactions of this nature, including with respect to non-solicitation, a right granted to each party to match superior proposals, and provisions entitling each party to a fiduciary-out. In addition, Harvest and Verano have each agreed to pay a termination fee to the other party upon the occurrence of certain events.

Full details of the Transaction will be included in the management information circular of Harvest describing the matters to be considered at the Harvest Meeting which will be made available on SEDAR under the issuer profiles of Harvest at [www.sedar.com](http://www.sedar.com).

Eight Capital acted as Harvest's financial advisor and INFOR Financial Inc. acted as financial advisor to the special committee of Harvest's board of directors. In addition, Eight Capital and INFOR Financial Inc. have each provided an opinion to the board of directors of Harvest that, as of the date of the opinion and subject to the assumptions, limitations and qualifications on which the opinions were based, the consideration being paid by Harvest in connection with the Transaction is fair, from a financial point of view, to Harvest.

The Transaction is expected to offer synergies related to enhanced scale of the combined operations, which upon completion is expected to make Harvest the largest MSO, as measured by facilities allowed, state footprint, revenue and permitted facilities in today's market – despite the potential growth based on changes in U.S. federal laws. Following closing, Harvest will be able to operate in up to 200+ facilities in 17 U.S. states and territories, including 123 retail dispensaries. Combining Verano and Harvest, Harvest is one of the few, U.S. multi-state operators with a track record of operational profitability.

"Expanding our national footprint is paramount at Harvest and allows us to continue on the path to profitable growth for shareholders" said Jason Vedadi, Executive Chairman of Harvest. "This accretive transaction will improve our position by strategically expanding our operating base to realize the benefits of scale. From day one, both companies focused on consistent revenue and profit growth. We are excited to bring Verano's premium brands, depth of management and sound operations into Harvest."

Steve White, CEO of Harvest, added, "We have long viewed the acquisition of Verano as a strategically, financially and operationally compelling opportunity that brings immediate value to shareholders of both companies. The acquisition provides us with the combined skills and capacity to bring the promise of cannabis' future value to the masses. The talent we've assembled with significant, relevant real-world experience provides Harvest a deep bench from which to scale responsibly. And to ensure we meet the expectations of a seamless, value-creating integration, we've engaged one of the leading global management consulting firms in the world to assist us."

On the completion of the Transaction, Harvest will gain:

- Operations in 11 states and territories, including seven cultivation licenses, and 37 retail licenses;
- Vertically integrated, cash-flow positive operations that generated net revenue exceeding \$31 million in 2018;
- Proven executive team with retail, manufacturing, branding, logistics, regulatory and operational experience and 300 employees;
- Ethanol extraction technology at pharmaceutical grade levels; providing new market opportunities for cannabis biotech, food and beverage verticals;
- Premium portfolio of proprietary strains and precisely dosed products crafted by artisan chefs that rounds out Harvest's product offering with 150 SKUs spanning medical and adult-use;
- Total cultivation expansion capacity of 900,000 sq. ft in Illinois, Nevada & Maryland;
- Operations and/or management of nine Zen Leaf™ dispensaries;
- A newly developed headquarters in Chicago that will serve as a new hub of operations for Harvest's operations east of the Mississippi River.

"Our teams are architects of change in the cannabis industry. Both are geographically-complementary and focused on operational excellence and bringing safe, high-quality, precisely dosed artisanal cannabis options to our customers" said George Archos, Verano Co-founder and CEO. "We are crafting a brighter way forward together to grow Harvest's leadership and profile in key markets and deliver significant value to customers and shareholders."

### **Acquisitions Lay Foundation for Expanding Wholesale Network**

"Verano's acquisition brings strong leadership to Harvest's expanding wholesale network," continued Steve White. "Verano's wholesale product strategy and expertise has enabled penetration of 80 percent of the dispensaries in each state in which it operates. By combining that with our recently announced planned acquisitions of [Falcon](#) (2/14/19), and [CannaPharmacy](#) (4/9/19), and their strong distribution networks, Harvest is now well positioned to build several national cannabis brands that will meet the full spectrum of consumer and patient needs."

### **About Harvest Health and Recreation**

*Harvest Health & Recreation Inc. is one of the first consistently profitable, vertically- integrated cannabis companies with one of the largest footprints in the U.S. Harvest's complete vertical solution includes industry-leading cultivation, manufacturing, and retail facilities, construction, real estate, technology, operational, and brand building expertise — leveraging in-house legal, HR and marketing teams, along with proven experts in writing and winning state-based applications. The company has more than 750 employees with proven experience, expertise and knowledge of in-house best practices that are drawn upon whenever Harvest enters new markets. Harvest's executive team is comprised of leaders in finance, compliance, real estate and operations. Since its founding in 2011, Harvest has grown its footprint every year, has been ranked as the third largest cultivator in the U.S. and, subject to completion of announced acquisitions, will have rights to operate up to 200 facilities, of which 123 are retail locations, across the U.S. Harvest shares timely updates and releases as part of its regular course of*

business with the media and the interested public. For more information, visit: <https://www.harvestinc.com/>.

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## **Forward-looking Statements**

*This press release contains statements which constitute "forward-looking information" within the meaning of applicable securities laws, including statements regarding the plans, intentions, beliefs and current expectations of Harvest with respect to future business activities. Forward-looking information is often identified by the words "may," "would," "could," "should," "will," "intend," "plan," "anticipate," "believe," "estimate," "expect" or similar expressions and include information regarding: the closing of the acquisitions of Falcon, CannaPharmacy and Verano, including satisfaction of the conditions to closing of such acquisitions; expectations regarding the size of the U.S. cannabis market; the ability of the Company to successfully achieve its business objectives; plans for expansion of Harvest; expectations for other economic, business, and/or competitive factors; expectations for future financial performance; expected synergies arising from the Transaction; timing and receipt of the required shareholder, court, stock exchange and regulatory approvals for the Transaction; the timing and ability of Harvest and Verano to satisfy the conditions precedent to completing the Transaction; the anticipated timing for the holding of the Harvest Meeting in respect of the Transaction; and, the anticipated timing to, and the completion of, the closing of the Transaction.*

*Investors are cautioned that forward-looking information is not based on historical facts but instead reflects Harvest management's expectations, estimates or projections concerning future results or events based on the opinions, assumptions and estimates of management considered reasonable at the date the statements are made. Although Harvest believes that the expectations reflected in such forward-looking information are reasonable, such information involves risks and uncertainties, and undue reliance should not be placed on such information, as unknown or unpredictable factors could have material adverse effects on future results, performance or achievements of the Resulting Issuer. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking information are the following: the potential impact of the Transaction on relationships, including with regulatory bodies, employees, suppliers, customers and competitors; failure to achieve expected synergies arising from the Transaction and related integration risk; changes in general economic, business and political conditions, including changes in the financial markets; the ability of the Resulting Issuer to raise debt and equity capital in the amounts and at the costs that it expects; adverse changes in the public perception of cannabis; decreases in the prevailing prices for cannabis and cannabis products in the markets that the Company operates in; adverse changes in applicable laws; adverse changes in the application or enforcement of current laws, including those related to taxation; the inability to locate and acquire suitable companies, properties and assets necessary to execute on the Company's business plans; and increasing costs of compliance with extensive*

*government regulation. This forward-looking information may be affected by risks and uncertainties in the business of Harvest and market conditions.*

*Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking information prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected. Although Harvest has attempted to identify important risks, uncertainties and factors which could cause actual results to differ materially, there may be others that cause results not to be as anticipated, estimated or intended. Harvest does not intend, and does not assume any obligation, to update this forward-looking information except as otherwise required by applicable law.*

### **Non-IFRS Financial and Performance Measures**

In this press release, Harvest refers to certain non-IFRS financial measures such as EBITDA, being Earnings Before Interest, Taxes, Depreciation and Amortization. EBITDA measures do not have any standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other issuers. "EBITDA" is defined as income from operations before depreciation and amortization and certain other charges. Harvest uses EBITDA as an indicator of its principal business activities prior to consideration of how its activities are financed and the impact of taxation and non-cash depreciation and amortization. EBITDA is used by many analysts as one of several important analytical tools and management of Harvest believes it is useful for providing readers with additional clarity on Harvest's operational performance prior to consideration of how its activities are financed, taxed, amortized or depreciated. For a quantitative reconciliation, please refer to the Company's MD&A filed from time to time.

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