

# HARVEST

## **Harvest Health & Recreation, Inc. Announces \$225 Million Asset-Backed Financing Plan**

*Torian Capital Partners to Provide Loan for Planned Expansion*

**July 31, 2019 – PHOENIX, Ariz. – [Harvest Health & Recreation, Inc. \(CSE: HARV, OTCQX: HRVSE\)](#) (“Harvest”),** a vertically integrated cannabis company with one of the largest and deepest footprints in the U.S., today announced that it has entered into a term sheet for a secured term loan of up to US\$225 million (the “Loan”) from an investment fund managed by Torian Capital Partners (“Torian Capital”), an investor in the global cannabis industry and other parties. The Loan will be made available to Harvest in three tranches of US \$75 million, each with substantially identical terms.

The financing proceeds, when completed, will enable Harvest to expedite its expansion efforts. The Loan will be secured by certain current and future assets of Harvest, including cannabis-related licenses.

“Harvest is in a strong financial position in the cannabis industry and this growth capital, which we believe is provided at an attractive financing cost will enable us to deliver on our commitment to enhance shareholder value,” said Steve White, CEO of Harvest. “This transaction positions us well for the strategic acquisition of assets across the cannabis supply chain. With greater financial flexibility, we are better equipped to execute our strategy to aggressively expand our retail and wholesale footprint across the U.S. into key markets, while seeking to build and acquire brands for broad distribution,” White concluded.

David Kutcher, Chief Investment Officer and co-Managing Partner of Torian Capital, said, “We continue to be impressed with Harvest’s industry leading footprint and world-class management team. Torian’s investment thesis centers on investing in industry leading platforms poised for substantial growth and rapid expansion, and we are pleased to be able to invest in Harvest on that basis.”

“The cannabis industry has lacked access to large credit facilities, and Torian’s ability to provide lower cost, growth capital is core to our ability to work with leading operators such as Harvest. We believe its near-term pipeline is robust and we are confident that this type of investment will support the next stage of their growth,” said Charlie Wilkinson, co-Managing Partner of Torian Capital.

The financing from Torian Capital will be in the form of secured notes issued by one or more subsidiaries of Harvest, totaling up to US\$225 million (the “Notes”) on a private placement basis pursuant to applicable securities laws exemptions. The proceeds of the Notes will be used by Harvest for working capital, strategic acquisitions and general corporate purposes.

The first tranche of the Loan is expected to close within 30 days. Each tranche will bear interest at a rate of 8.0% per annum, payable quarterly in arrears and will mature 48 months from the date of issuance of such tranche. Following the 24-month anniversary from the date of issuance of such tranche, Harvest may prepay the outstanding principal of the Notes, upon payment of 105% of the principal in year three and 103% during year four.

Upon completion of each tranche, Harvest will issue Torian Capital warrants (“Warrants”) in an amount equal to 20% coverage of each tranche. Each Warrant will entitle Torian Capital to purchase one Subordinate Voting Share for a period of 36 months from the date of issue. Warrants issued will, subject to the policies of the CSE, have an exercise price equal to a 25% premium to the closing price of Harvest’s Subordinate Voting Shares on the day prior to the closing of each tranche. The Warrants may be called by Harvest if the VWAP exceeds 2.0x the strike price for 20 of 30 days, and daily volume exceeds 25% of the underlying shares. The Warrants and any Subordinate Voting Shares issuable upon exercise of the Warrants, will be subject to a six month hold period from the date of issuance of such Warrants.

The terms of the Loan described in this press release are those set out in a non-binding term sheet. However, completion of each tranche is subject to further agreements entered into by the parties, including as to the guarantees and/or the collateral to be provided by Harvest and its applicable subsidiaries to secure its obligations under the Loan. The terms of the Loan, the Notes and the Warrants are subject to change as the parties negotiate such definitive documentation. The closing of each tranche will be subject to certain conditions being satisfied including, but not limited to, the receipt of all necessary approvals and the absence of material adverse changes. There can be no assurance that the parties will enter into definitive documentation such that the Loan will be available, or if definitive documentation is entered into, that the terms of the Loan, the Notes and the Warrants and the conditions to receiving the proceeds of any of the tranches will be as stated above.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful. The securities being offered have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the United States Securities Act of 1933, as amended, and applicable state securities laws.

Jason Vedadi, Executive Chairman and member of the Board of Directors at Harvest, is a passive investor in Torian Capital through a separate entity related to Mr. Vedadi. He has recused himself from any board deliberations pertaining to Torian Capital’s loan to Harvest and will not be involved in any board decisions regarding financing arrangements with Torian Capital going forward.

#### **About Harvest Health & Recreation, Inc.**

*Headquartered in Tempe, Arizona, Harvest Health & Recreation, Inc. is a multi-state cannabis operator (MSO) and vertically-integrated cannabis company. Subject to completion of*

*announced acquisitions, Harvest will have one of the largest footprints in the U.S., with rights to more than 210 facilities, of which approximately 135 are retail locations, and more than 1,695 employees across 18 states and territories. Since 2011, the company has been committed to expanding its Harvest House of Cannabis retail and wholesale presence throughout the U.S., acquiring, creating and growing leading brands for patients and consumers nationally and continuing on a path of profitable growth. Harvest's mission is to improve lives through the goodness of cannabis and is focused on its vision to become the most valuable cannabis company in the world. We hope you'll join us on our journey: <https://harvestinc.com>.*

### ***About Torian Capital Partners***

*Torian Capital Partners LLC is a private investment firm focused on deploying capital into public and private cannabis and cannabis-related enterprises on a global scale. Torian Capital employs a broad and flexible investment mandate with an emphasis on preservation of capital and long-term capital appreciation through investments that provide current income, collateral protection, and equity upside and can invest in long and short positions in debt, equity and derivative securities worldwide.*

*For more information, visit: <http://www.toriancapital.com>.*

### **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 transactions and 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: (i) expectations regarding the size of the U.S. cannabis market, (ii) the ability of the Company to successfully achieve its business objectives, (iii) plans for expansion of Harvest, including plans for financing, and (iv) expectations for other economic, business, and/or competitive factors.*

*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 combined Company. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking information are the following: the ability of Harvest and Torian Capital to negotiate, close and fund the Loan or any tranche*

*thereof; the ability of Harvest to develop Harvest's brand and meet its growth objectives, the ability of Harvest to complete planned acquisitions that are accretive to its revenue, the ability of*

*Harvest to obtain and/or maintain licenses to operate in the jurisdictions in which it operates or in which it expects or plans to operate; changes in general economic, business and political conditions, including changes in the financial markets; and in particular the ability of the Company 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; or 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.*

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