



Canopy USA Converts CAD\$125.5 Million in TerrAscend Debt to Exchangeable Shares at CAD\$5.10 per Share

Transaction increases Canopy USA's conditional ownership in TerrAscend from 12.0% to 18.2% with the ability to own 23.4% upon the exercise of newly issued warrants

Significant deleveraging event for TerrAscend as it has now retired USD\$120 million (CAD\$160 million) of debt in recent weeks, reducing annual cash interest expense by USD\$10 million (CAD\$13.5 million)

TORONTO, ON, December 9, 2022 /CNW/ - TerrAscend Corp. ("TerrAscend") (CSE:TER) (OTCQX:TRSSF), a leading North American cannabis operator, today announced it has entered into an arrangement dated December 9, 2022 with Canopy USA, LLC ("Canopy USA") and certain of its subsidiaries to convert CAD\$125.5 million in aggregate loans plus accrued interest in exchange for 24,601,467 exchangeable shares in the capital of TerrAscend (the "Exchangeable Shares") at a notional price of CAD\$5.10 per Exchangeable Share and 22,474,130 new common share purchase warrants (the "New Warrants" and together with the Exchangeable Shares, the "New Securities") to acquire common shares in the capital of TerrAscend (the "Common Shares") at a weighted average exercise price of CAD\$6.07 per common share.

Jason Wild, Executive Chairman of TerrAscend, stated, "Canopy USA continues to be a trusted investor and partner. We thank them for their continued support as they increase their conditional ownership in the Company. This transaction, combined with the recent USD\$30 million pay down of our Michigan loan, materially improves our balance sheet and reduces annual interest expense by approximately USD\$10 million."

TerrAscend, TerrAscend Canada Inc. and Arise Bioscience, Inc. (collectively, "TerrAscend Entities") and Canopy USA, Canopy USA I Limited Partnership ("Canopy USA LP I") and Canopy USA III Limited Partnership ("Canopy USA LP III") entered into a Debt Settlement Agreement pursuant to which the TerrAscend Entities shall deliver to Canopy USA LP I and Canopy USA LP III an aggregate of 24,601,467 Exchangeable Shares and New Warrants with exercise prices ranging from CAD\$3.74 to CAD\$17.19 as consideration for extinguishing the debt obligations, including all principal and interest on the amounts outstanding thereunder. All of the New Warrants expire on December 31, 2032. Additionally, all of the existing warrants held by Canopy USA LP I and Canopy USA LP III consisting of 22,474,130 warrants (the "Prior Warrants") originally issued to Canopy Growth Corporation and RIV Capital Corporation (previously Canopy Rivers Corporation) between 2019 and 2020 have been canceled.

Following the issuance of the New Securities, Canopy USA holds 63,492,037 Exchangeable Shares and 22,474,130 New Warrants and is deemed to own 1,072,450 Common Shares that are subject to an option for an aggregate exercise price of \$1.00 (the "Option"). The Exchangeable Shares can be converted to common shares at Canopy USA LP I and Canopy USA LP III's option, subject to the federal legalization of marijuana in the United States and compliance with applicable exchange listing rules. With the addition of the Exchangeable Shares, Canopy USA's conditional ownership in TerrAscend increased from 12.0% to 18.2%. Assuming the exercise of the 22,474,130 New Warrants and the Option to acquire 1,072,450 Common Shares, Canopy would hold approximately 23.4% of TerrAscend on a partially-diluted basis.

The Canadian Securities Exchange ("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, Michigan and California, licensed cultivation and processing operations in Maryland and licensed production in Canada. TerrAscend operates The Apothecarium and Gage dispensary retail locations as well as scaled cultivation, processing, and manufacturing facilities in its core markets. TerrAscend's cultivation and manufacturing practices yield consistent, high-quality cannabis, providing industry-leading product selection to both the medical and legal adult-use markets. The Company owns several synergistic businesses and brands, including Gage Cannabis, The Apothecarium, Ilera Healthcare, Kind Tree, Prism, State Flower, Valhalla Confections, and Arise Bioscience Inc. For more information, visit www.terrascend.com.

Canadian Early Warning Reporting Requirements for Canopy USA

Canopy USA's beneficial ownership (as defined under Canadian securities laws) interest is by virtue of its control of Canopy USA LP I, Canopy USA II Limited Partnership ("**Canopy USA LP II**") and Canopy USA LP III (collectively, the "**Canopy USA LPs**"). 5,349,020 Exchangeable Shares were issued to Canopy USA LP I and 19,252,447 Exchangeable Shares were issued to Canopy USA LP III. The New Warrants were issued as follows: 473,601 New Warrants to Canopy USA LP I with an exercise price of CAD\$3.74 (the "**LP I A Warrants**"); 1,679,132 New Warrants to Canopy USA LP III with an exercise price of CAD\$3.74 (the "**LP III A Warrants**"); 3,444,373 New Warrants to Canopy USA LP I with an exercise price of CAD\$5.14 (the "**LP I B Warrants**"); 12,211,869 New Warrants to Canopy USA LP III with an exercise price of CAD\$5.14 (the "**LP III B Warrants**"); 489,657 New Warrants to Canopy USA LP I with an exercise price of CAD\$5.95 (the "**LP I C Warrants**"); 1,736,057 New Warrants to Canopy USA LP III with an exercise price of CAD\$5.95 (the "**LP III C Warrants**"); 73,419 New Warrants to Canopy USA LP I with an exercise price of CAD\$6.49 (the "**LP I D Warrants**"); 260,304 New Warrants to Canopy USA LP III with an exercise price of CAD\$6.49 (the "**LP III D Warrants**"); 423,936 New Warrants to Canopy USA LP I with an exercise price of CAD\$15.28 (the "**LP I E Warrants**"); 1,503,047 New Warrants to Canopy USA LP III with an exercise price of CAD\$15.28 (the "**LP III E Warrants**"); 39,322 New Warrants to Canopy USA LP I with an exercise price of CAD\$17.19 (the "**LP I F Warrants**"); and 139,413 New Warrants to Canopy USA LP III with an exercise price of CAD\$17.19 (the "**LP III F Warrants**"). Accordingly, following the issuance of the New Securities: (i) Canopy USA LP I is the registered owner of 5,349,020 Exchangeable Shares and the LP I A Warrants, the LP I B Warrants, the LP I C Warrants, the LP I D Warrants, the LP I E Warrants and the LP I F Warrants (collectively the "**LP I Warrants**"); (ii) Canopy USA LP II is the registered owner of the 38,890,570 Exchangeable Shares and the Option to acquire 1,072,450 Common Shares; and (iii) Canopy USA LP III is the registered owner of the 19,252,447 Exchangeable Shares and the LP III A Warrants, the LP III B Warrants, the LP III C Warrants, the LP III D Warrants, the LP III E Warrants and the LP III F Warrants (collectively the "**LP I Warrants**").

Following the issuance of the New Securities, Canopy USA beneficially owns (as defined under Canadian securities laws), and exercises control or direction over, 63,492,037 Exchangeable Shares and 22,474,130 Warrants and is deemed to own 1,072,450 Common Shares that are subject to the Option, representing 100% of the issued and outstanding Exchangeable Shares on a non-diluted basis and approximately 25.3% of the issued and outstanding Common Shares on a partially-diluted basis, assuming the conversion of 63,492,037 Exchangeable Shares into Common Shares and the exercise of the 22,474,130 Warrants and the Option to acquire 1,072,450 Common Shares. Canopy USA LP I beneficially owns (as defined under Canadian securities laws), and exercises control or direction over, 5,349,020 Exchangeable Shares and 4,944,308 New Warrants, representing approximately 8.4% of the issued and outstanding Exchangeable Shares and approximately 3.8% of the issued and outstanding Common Shares on a partially-diluted basis, assuming the conversion of the Exchangeable Shares held by Canopy USA LP I into Common Shares and the exercise of the LP I Warrants. Canopy USA LP II beneficially owns (as defined under Canadian securities laws), and exercises control or direction over, 38,890,570 Exchangeable Shares and is deemed to own 1,072,450 Common Shares that are subject to the Option, representing approximately 61.3% of the issued and outstanding Exchangeable Shares and approximately 13.4% of the issued and outstanding Common Shares on a partially-diluted basis, assuming the conversion of the Exchangeable Shares held by Canopy USA LP II into Common Shares and the exercise of the Option to acquire 1,072,450 Common Shares. Canopy USA LP III beneficially owns (as defined under Canadian securities laws), and exercises control or direction over, 19,252,447 Exchangeable Shares and 17,529,822 New Warrants, representing approximately 30.3% of the issued and outstanding Exchangeable Shares and approximately 12.5% of the issued and outstanding Common Shares on a partially-diluted basis, assuming the conversion of the Exchangeable Shares held by Canopy USA LP III into Common Shares and the exercise of the LP III Warrants.

The issuance of the New Securities resulted in the issuance of an aggregate of 24,601,467 Exchangeable Shares and 22,474,130 New Warrants and the cancellation of 22,474,130 Prior Warrants beneficially owned by Canopy USA, representing an increase in Canopy USA's interest in the Common Shares of approximately 5.7% on a partially-diluted basis. The issuance of the New Securities resulted in the issuance of an aggregate of 5,349,020 Exchangeable Shares and 4,944,308 New Warrants to Canopy USA LP I and the cancellation of 2,105,718 Prior Warrants held by Canopy USA LP I, representing an increase in Canopy USA LP I's interest in the Exchangeable Shares (as Canopy USA LP I did not previously own Exchangeable Shares) and in the Common Shares of approximately 3.0% on a partially-diluted basis. The issuance of the New Securities did not result in a change of Canopy USA LP II's ownership interest in TerrAscend but resulted in a decrease in Canopy USA LP III's interest in the Exchangeable Shares of approximately 38.7% and no change to Canopy USA LP III's interest in the Common Shares on a partially-diluted basis. The issuance of the New Securities resulted in the issuance of an aggregate of 19,252,447 Exchangeable Shares and 17,529,822 New Warrants to Canopy USA LP III and the cancellation of 20,368,412 Prior Warrants held by Canopy USA LP III, representing an increase in Canopy USA LP III's interest in the Exchangeable Shares (as Canopy USA LP III did not previously own Exchangeable Shares) and in the Common Shares of approximately 6.1% on a partially-diluted basis.

Immediately prior to the issuance of the New Securities, Canopy USA beneficially owned (as defined under Canadian securities laws), and exercised control or direction over, 38,890,570 Exchangeable Shares and 22,474,130 Prior Warrants and was deemed to own 1,072,450 Common Shares that are subject to the Option, representing 100% of the issued and outstanding Exchangeable Shares and approximately 19.5% of the issued and outstanding Common Shares on a partially-diluted basis, assuming the conversion of 38,890,570 Exchangeable Shares into Common Shares and the exercise of the 22,474,130 Prior Warrants and the Option to acquire 1,072,450 Common Shares. Canopy USA LP I beneficially owned (as defined under Canadian securities laws), and exercised control or direction over, 2,105,718 Prior Warrants, representing approximately 0.8% of the issued and outstanding Common Shares on a partially-diluted basis, assuming the conversion of 2,105,718 Prior Warrants. Canopy USA LP II beneficially owned (as defined under Canadian securities laws), and exercised control or direction over, 38,890,570 Exchangeable Shares and was deemed to own 1,072,450 Common Shares that are subject to the Option, representing 100% of the issued and outstanding Exchangeable Shares and approximately 13.4% of the issued and outstanding Common Shares on a partially-diluted basis, assuming the conversion of 38,890,570 Exchangeable Shares into Common Shares and the exercise of the Option. Canopy USA LP III beneficially owned (as defined under Canadian securities laws), and exercised control or direction over, 20,368,412 Prior Warrants, representing approximately 7.3% of the issued and outstanding Common Shares on a partially-diluted basis.

Canopy USA beneficially holds the Exchangeable Shares and New Warrants for investment purposes. While Canopy USA and/or the Canopy USA LPs currently have no immediate plans or intentions with respect to the securities of TerrAscend, depending on market conditions, general economic and industry conditions, trading prices, TerrAscend's business, financial condition and prospects and/or other relevant factors, Canopy USA and/or the Canopy USA LPs may develop such plans or intentions in the future and, at such time, may from time to time acquire additional securities, dispose of some or all of the existing or additional securities or may continue to hold the securities of TerrAscend.

A copy of the early warning report filed by Canopy USA will be available under TerrAscend's profile on SEDAR at www.sedar.com or by contacting Canopy USA at (415) 882-0117.

TerrAscend's head office is located at P.O. Box 43125, Mississauga, Ontario L5B 4A7. Canopy USA's head office is located at 35715 Hwy 40, Ste D102, Evergreen, Colorado, 80439.

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 effects and potential benefits of the conversion of the loan with Canopy USA, including expectations with respect to the impact of the improvements to TerrAscend's balance sheet and other financial results; and the management's ability to achieve its goals and deliver value for TerrAscend's shareholders. Actual results and developments may differ materially from those contemplated by these statements. Such forward-looking statements are based on certain assumptions regarding expected growth, results of operations, performance, industry trends and growth opportunities. While TerrAscend considers these assumptions to be reasonable, based on information currently available, they may prove to be incorrect. 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, TerrAscend's estimates of expenses and profitability; the success of TerrAscend's partnerships; 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; unfavorable conditions in the global economy, including financial and credit market fluctuations and uncertainty, rising inflation and interest rates; and the risk factors set out in TerrAscend's management information circular dated October 4, 2021, and TerrAscend's most recently filed MD&A, both filed with the Canadian securities regulators and available under TerrAscend's profile on SEDAR at www.sedar.com, and in the section titled "Risk Factors" in TerrAscend's Annual Report on Form 10-K for the year ended December 31, 2021 filed with the Securities and Exchange Commission on March 17, 2022 and as amended on March 24, 2022.

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.

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

For more information regarding TerrAscend:

Keith Stauffer
Chief Financial Officer
717-343-5386
IR@terrascend.com