

MedMen Announces Lender and Landlord Support for Company Turnaround

7/3/2020

- Reached agreement with senior lenders to defer cash interest
- Modified lease arrangements with Treehouse REIT to reduce near-term cash commitments

LOS ANGELES--(BUSINESS WIRE)-- MedMen Enterprises Inc. ("MedMen" or the "Company") (CSE: MMEN) (OTCQX: MMNFF) today announced the execution of definitive agreements with certain lenders, including Gotham Green Partners, Stable Road Capital and affiliates, and the Company's most significant landlord, Treehouse Real Estate Investment Trust ("**Treehouse**") as part of a financial restructuring and turnaround plan (the "**Plan**") to support the expansion of the Company's industry-leading retail footprint. The Plan will defer approximately US\$32 million in cash commitments over the next 12 months and provide additional balance sheet flexibility.

"Implementing our turnaround plan is the best way to ensure that MedMen continues on its path to building the leading cannabis retailer in the U.S.," said MedMen Interim Chief Executive Officer Tom Lynch. "We believe the widespread support we have received from our lenders and landlords will allow us to continue execution of the turnaround, continue to grow our best-in-class retail operations and drive towards positive free cash flow."

Senior Secured Convertible Facility:

On March 30, 2020, MedMen announced the closing of US\$12.5 million in additional gross proceeds under its senior secured convertible facility ("**Convertible Facility**") led by funds affiliated with Gotham Green Partners (collectively, "**GGP**"). As part of the Plan announced today, the Company and GGP have further amended and restated the securities purchase agreement that governs the Convertible Facility to include, among other things, the following:

- Interest: All notes under the Convertible Facility will continue to bear interest at the higher of (i) 2.5%, and (ii) LIBOR, plus 6.0% per annum. However, the payment-in-kind (“PIK”) feature on the Convertible Facility has now been extended, such that 100% of the cash interest due prior to June 2021 will be paid-in-kind, and 50% of the cash interest due thereafter for the remainder of the term of the Convertible Facility will be paid-in-kind. The PIK feature will expire if Section 280E tax reform occurs and the Company begins to be taxed similar to other U.S. corporations.
- Minimum Liquidity: The threshold for the minimum liquidity covenant, which was previously US\$15.0 million, has been waived until September 30, 2020, resetting to US\$5.0 million thereafter, to US\$7.5 million effective on March 31, 2021 and then to US\$15.0 million effective on December 31, 2021.
- Non-Core Assets: GGP has agreed to the release of certain assets from its collateral pool in order to provide the Company with greater flexibility to generate proceeds through the sale of non-core assets. On July 2, 2020, the Company received US\$10.0 million at signing of definitive documents for the sale of one of its retail licenses outside of California.

As consideration for the amendment of the Convertible Facility, the conversion price for 52% of the existing notes outstanding under the Convertible Facility prior to the US\$15.0 million advance under Tranche 4 of the Convertible Facility (including PIK interest accrued on such notes), being 52% of an aggregate principal balance of US\$167.7 million as of June 30, 2020, was amended to US\$0.34 per Class B Subordinate Voting Share of the Company (each, a **“Subordinate Voting Share”**). As additional consideration, a fee of US\$2.0 million was paid to the lenders under the Convertible Facility through the issuance of additional notes, which notes have a conversion price per Subordinate Voting Share equal to US\$0.28, which represents a 30% premium to the 5-day volume-weighted average trading price of the Subordinate Voting Shares as of and including June 30, 2020.

In connection with the amendments to the Convertible Facility, the Company is now subject to certain additional covenants thereunder, which are consistent with the Company’s internal business plan (**“Turnaround Plan”**). The Company is required to adhere to its Turnaround Plan for certain cash expenditures such as corporate expenses, capital expenditures and leases. The covenants expire once the Company achieves two consecutive fiscal quarters of being free cash flow positive.

Senior Secured Term Loan:

On January 14, 2020, the Company announced the closing of definitive documentation for amendments to the terms and conditions of the US\$77.7 million senior secured term loan (**“October 2018 Loan”**) with funds managed by Stable Road Capital and its affiliates (**“Term Loan Lenders”**). As part of the Plan announced today, the Company and the Term Loan Lenders further amended the commercial loan agreement that governs the October 2018 Loan to include, among other things, the following:

- Interest: In the amendment to the October 2018 Loan completed in January 2020, the interest rate was increased from a fixed rate of 7.5% per annum, payable monthly in cash, to a fixed rate of 15.5% per annum, of which 12.0% was to be payable monthly in cash based on the outstanding principal and 3.5% was to accrue monthly to the principal amount of the debt as PIK. In connection with the Plan announced today, 100% of the total interest payable prior to June 2021 will be paid-in-kind and 50% of the cash interest due thereafter for the remainder of the term of the October 2018 Loan will be paid-in-kind. The PIK feature will expire if Section 280E tax reform occurs and the Company begins to be taxed similar to other U.S. corporations.
- Minimum Liquidity: The threshold for the minimum liquidity covenant, which was previously US\$15.0 million, has been waived until September 30, 2020, resetting to US\$5.0 million thereafter, to US\$7.5 million effective on March 31, 2021 and then to US\$15.0 million effective on December 31, 2021.

As consideration for the amendment of the October 2018 Loan, the Company issued to the Term Loan Lenders a total of 20.2 million warrants, each exercisable at US\$0.34 per share for a period of five years. As additional consideration, a fee of US\$834,000 was paid-in-kind. The Company also canceled 20.2 million warrants of the total 40.4 million warrants already held by the Term Loan Lenders, which were each exercisable at US\$0.60 per share.

In connection with the amendments to the October 2018 Loan, the Company is now subject to certain additional covenants thereunder, which are consistent with those included as a part of the amendments to the Convertible Facility.

Treehouse Real Estate Investment Trust:

The Company currently has lease arrangements with affiliates of Treehouse, which include 14 retail and cultivation properties across the U.S. As part of the Plan, Treehouse has agreed to defer a portion of total current monthly base rent for the 36-month period between July 1, 2020 and July 1, 2023. The total amount of all deferred rent accrues interest at 8.6% per annum during the deferral period. As consideration for the rent deferral, the Company has issued to Treehouse 3,500,000 warrants, each exercisable at US\$0.34 per share for a period of five years. As part of the agreement, the Company will pursue a partnership with a cannabis cultivation company for the Company's Desert Hot Springs and Mustang facilities that are leased from Treehouse in order to continue the Company's focus on retail operations.

Additional Notes:

Please refer to the Company's documents available on the Company's profile at www.sedar.com for additional details as to Convertible Facility, the October 2018 Term Loan and the lease arrangements with Treehouse REIT, including the amendments made thereto.

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.

Related Party Transaction:

The portions of the Plan agreed to with GGP may constitute “related party transactions” (collectively, the “**Related Party Transaction**”) within the meaning of Multilateral Instrument 61-101 – Protection of Minority Security Holders in Special Transactions (“**MI 61-101**”). The Board of Directors of the Company (the “**Board**”), acting in good faith, including all of the independent members of the Board, acting in good faith, have determined that the Company is in serious financial difficulty, that the Related Party Transaction is designed to improve the Company's financial position and that the terms of the Related Party Transaction are reasonable in the Company's circumstances. As such, MedMen is relying on the exemption from the minority approval requirements of MI 61-101 based on the financial hardship exemption set forth in Section 5.7(1)(e) of MI 61-101. The material change report for the Related Party Transaction will not be filed more than 21 days prior to closing of the Plan, as the transactions that constitute the Related Party Transaction were effectively closed upon execution of the amendments to the Convertible Facility, and until execution, there was no material change that could be disclosed.

ABOUT MEDMEN:

MedMen is North America's premium cannabis retailer with flagship locations in Los Angeles, Las Vegas, Chicago and New York. Through a robust selection of high-quality products, including MedMen-owned brands [statemade], LuxLyte and MedMen Red, and a team of cannabis-educated associates, MedMen has defined the next generation discovery platform for cannabis and all its benefits. MedMen's industry-leading technology enables a fully compliant, owned-and-operated delivery service and MedMen Buds, a loyalty program. MedMen believes that a world where cannabis is legal and regulated is safer, healthier and happier. Learn more at www.medmen.com.

Cautionary Note Regarding Forward-Looking Information and Statements:

This press release contains certain “forward-looking information” within the meaning of applicable Canadian securities legislation and may also contain statements that may constitute “forward-looking statements” within the meaning of the safe harbor provisions of the United States Private Securities Litigation Reform Act of 1995. Such forward-looking information and forward-looking statements are not representative of historical facts or information or current condition, but instead represent only MedMen's beliefs regarding future events, plans or

objectives, many of which, by their nature, are inherently uncertain and outside of MedMen's control. Generally, such forward-looking information or forward-looking statements can be identified by the use of forward-looking terminology such as "expects", "believes", or variations of words and phrases implying that certain actions, events or results "may", "could", "would", "might", "will be taken", "will continue", "will occur" or "will be achieved". This forward-looking information is based on certain assumptions made by management and other factors used by management in developing such information. The forward-looking statements contained in this release include statements regarding the proceeds from and timing for completion of the sale of non-core assets; statements regarding or suggesting the expected benefits of the Plan, including placing the Company in a position to continue to expand its operations and achieve positive free cash flow from its operations; statements regarding or suggesting the Company will be able to successfully execute the Turnaround Plan; statements regarding or suggesting the Company will be able to comply with the covenants under the Convertible Facility, the October 2018 Loan and its leases; statements regarding the Company and Treehouse pursuing a partner for the Company's Desert Hot Springs and Mustang facilities; and statements regarding the proceeds from or the effects of the sale of non-core assets.

Forward-looking information and statements are not a guarantee of future performance and are based upon estimates and assumptions of management at the date the statements are made, including among other things, estimates and assumptions about contemplated dispositions being completed on current terms and current contemplated timelines; the ability to satisfy operational and financial covenants under the Company's existing debt obligations and leases; achieving the anticipated results of the Company's strategic plans, including the Turnaround Plan; the amount of savings expected from cost-cutting measures and divestitures of non-core assets; the ability to manage anticipated and unanticipated costs; the ability to raise sufficient capital to advance the business of the Company and to fund planned operating and capital expenditures; the ability to sustain negative operating cash flows until profitability is achieved; and political, legislative and regulatory stability.

Forward-looking statements necessarily involve known and unknown risks, including, without limitation, risks and uncertainties related to the recent outbreak of COVID-19 and the impact it may have on the global economy and retail sector, particularly the cannabis retail sector in the states in which the Company operates, and on regulation of the Company's activities in the states in which it operates, particularly if there is any resurgence of the pandemic in the future; changes in internal and external factors resulting in the inability to satisfy operational and financial covenants under the Company's existing debt obligations and leases, and other ongoing obligations as they become payable, including the failure to comply with the covenants under the Convertible Facility or the October 2018 Loan leading to defaults or enforcement against Company assets thereunder; the inability of management to successfully execute on the Turnaround Plan on the planned timetable; the inability to complete or delays in completing proposed dispositions, including as a result of the inability to obtain required regulatory approvals and third-party consents or failure to satisfy other conditions to such proposed dispositions; the loss of markets or

market share; the permanent or temporary loss of licenses and permits reducing revenues; the dilutive impact of raising additional financing through equity or convertible debt, or from repricing existing share issuance obligations, such as those associated with the Convertible Facility, or issuing new share issuances obligations in connection with the Convertible Facility or the October 2018 Loan, given the decline in the Company's share price; the inability to access sufficient capital from internal and external sources; the inability to access sufficient capital on favorable terms; adverse future legislative and regulatory developments involving medical and recreational marijuana; the risks of operating in the marijuana industry in the United States; adverse changes in tax laws; increasing competition; interest rate fluctuations; and those other risk factors discussed in the Company's Annual Information Form filed on November 12, 2019, the Company's short form base shelf prospectus filed on March 26, 2019, press release dated December 11, 2019, and other continuous disclosure filings, all available under the Company's profile on www.sedar.com.

The forward-looking information and forward-looking statements contained in this press release are made as of the date of this press release, and MedMen does not undertake to update any forward-looking information and/or forward-looking statements that are contained or referenced herein, except in accordance with applicable securities laws.

Forward-looking statements contained in this news release are expressly qualified by this cautionary note.

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MEDIA:

Esther Song

Senior Vice President, Marketing & Communications

Email: communications@medmen.com

INVESTORS:

Zeeshan Hyder

Chief Financial Officer

Email: investors@medmen.com

Source: MedMen Enterprises