

MedMen Announces Termination of Merger Agreement With PharmaCann and Management Changes

10/8/2019

- MedMen and PharmaCann terminate business combination agreement
- In conjunction with the termination, MedMen will be compensated with retail and cultivation assets in Illinois and Virginia
- Termination opens up MedMen's balance sheet to deepen presence in core retail markets of California, Illinois, Nevada, Florida, New York and Massachusetts and invest further in its omni-channel platform
- Appoints Zeeshan Hyder as Chief Financial Officer, effective immediately

LOS ANGELES--(BUSINESS WIRE)-- **MedMen Enterprises Inc.** (CSE: MMEN) (OTCQX: MMNFF) ("**MedMen**" or the "**Company**"), a leading cannabis retailer with operations across the U.S., today announced the mutual agreement to terminate the Business Combination Agreement dated December 23, 2018, pursuant to which MedMen was to acquire PharmaCann, LLC ("**PharmaCann**") in an all-stock transaction ("**Transaction**"). In light of market developments over the past 12 months and the continued evolution of its business strategy, MedMen and its Board have determined that focusing on leveraging the Company's retail brand, its leadership position in California, and its digital platform to grow the business will create greater shareholder value than the completion of the Transaction. In connection with the termination, PharmaCann has agreed to transfer certain cannabis licenses and related assets in Illinois and Virginia to MedMen for no additional consideration from MedMen, other than the forgiveness of certain debt, as further described below.

"The cannabis sector has evolved tremendously since we first announced the PharmaCann transaction and based

on the current macro-environment and future opportunities that exist for our business, we believe it is now in the best interest of our shareholders to deepen, rather than widen, our Company's reach," said Adam Bierman, MedMen co-founder and chief executive officer. "Looking at the PharmaCann portfolio today, Illinois has emerged as the most attractive opportunity for our longer-term, strategic growth plan. The addition of those assets, without dilution, is a win for MedMen and our shareholders."

On December 24, 2018, MedMen announced that it had entered into the definitive agreement to acquire PharmaCann, in which PharmaCann unitholders were expected to receive approximately 168.4 million shares in the combined company, based on MedMen's fully diluted shares outstanding as of June 29, 2019. Since the announcement, several industry developments have significantly impacted the accretive nature of the Transaction, including the following:

- The capital markets, both for the U.S. and Canadian cannabis industries, have shifted since March 2019, with the HMMJ index down 47%¹ during that time period. The underperformance has made it increasingly more critical to allocate capital efficiently given the current industry headwinds. While PharmaCann holds several licenses across the U.S., a large portion of its assets, particularly related to cultivation and manufacturing in medical markets, require significant capital expenditures.
- Over the past six months, MedMen has decided to increasingly focus on California, where there remains significant upside for cannabis operators. Approximately 76%² of California cities continue to ban recreational cannabis. Several jurisdictions within the state recently announced the commencement of recreational sales, and the Company has been actively applying for, acquiring and building out retail locations across the state, where it is licensed for 17 stores. MedMen plans to have 30 stores in the state by the end of calendar year 2020. Given the value MedMen has created in California, the Company does not believe entry into non-core markets is worth the degree of shareholder dilution required by the Transaction.
- The closing timeline for the Transaction was significantly impacted given regulatory hurdles at the federal and state level, which delayed the integration and realization of synergies that were initially factored into the value of the Transaction to the Company.
- In addition to expanding its retail footprint, MedMen believes allocating capital and resources towards enhancing its omni-channel offering in its core markets, through its delivery and loyalty platforms, will create more long-term shareholder value than entering new medical markets, such as Pennsylvania, Ohio and Maryland, where the Company does not currently have operating leverage.

As part of the agreement to terminate, PharmaCann has agreed to pay a termination fee to MedMen through a transfer of the membership interests ("**Transfer of Interests**") in three entities holding the following four assets:

- Operational cultivation and production facility in Hillcrest, Illinois

- Retail location in Evanston, Illinois
- Retail license for Greater Chicago, Illinois
- License for vertically integrated facility in Virginia

On a pro forma basis, MedMen will have licenses for four retail locations in Greater Chicago, including its existing location in Oak Park, Illinois. The Company will also hold one of only 213 cultivation and production licenses in the state, which will allow MedMen to vertically integrate and have full control of its supply chain once recreational sales commence in January 2020. As part of the agreement to terminate and contingent on the successful Transfer of Interests, MedMen will forgive all amounts outstanding under its existing line of credit to PharmaCann (the **“Line of Credit”**), which totaled approximately US\$21 million, including accrued interest, as of September 30, 2019. In the event any Transfer of Interest is unable to occur due to a final adjudication or denial by the applicable regulatory body governing such license (a **“Rejected Transfer”**), PharmaCann will pay MedMen an amount equal to (i) one-third (1/3) of the aggregate principal amount and any corresponding accrued interest thereon owed under the Line of Credit (such interest to be calculated as if no loan forgiveness of any portion of the Line of Credit occurred), and (ii) US\$10 million (such amounts are collectively referred to as the **“Rejected Transfer Fee”**) for each denial. Any such Rejected Transfer Fee shall be paid within five days of the related Rejected Transfer, or, PharmaCann may elect to finance the Rejected Transfer Fee, provided that the financed Rejected Transfer Fee shall accrue interest at a rate of seven and one-half percent (7.5%) per annum and be due and payable on the first anniversary of the date of the Rejected Transfer.

Additionally, effective today, Zeeshan Hyder has been appointed Chief Financial Officer at MedMen. Mr. Hyder, currently MedMen's Chief Corporate Development Officer, has been an integral part of the leadership team at MedMen since 2017, overseeing corporate development, investor relations and other financial growth initiatives. His understanding of the company's strategic plan and deep knowledge of the cannabis industry provide an excellent foundation for continued fiscal success. To date, Mr. Hyder has led over \$300M in M&A deals executed, partnered with the CEO to take the company public and raised \$500M in capital for direct investment into the business.

Mr. Hyder, alongside MedMen's CEO and Board, has seen the business through an important chapter and will be instrumental in spearheading the company's path towards profitability. MedMen is targeting break even EBITDA by the end of calendar 2020 and will provide further details on the October 28th earnings call.

Hyder succeeds Michael Kramer, whose employment has been terminated as of October 7, 2019. Mr. Kramer will focus on a seamless transition and as such has signed a consulting agreement for the remainder of the calendar year.

1 Source: Bloomberg; represents time period between March 19, 2019 and September 30, 2019

2 Source: <https://www.latimes.com/california/story/2019-08-14/californias-biggest-legal-marijuana-market>

3 Source: <https://www2.illinois.gov/sites/agr/Plants/MCPP/Pages/default.aspx>

About MedMen:

Founded in 2010, MedMen is North America's premium cannabis retailer. Founders Adam Bierman and Andrew Modlin have defined the next generation discovery platform for cannabis and all its benefits. A robust selection of high-quality products, including MedMen-owned brands [statemade], LuxLyte and MedMen Red, coupled with a team of cannabis-educated associates cement the Company's commitment to providing an unparalleled experience. MedMen's industry-leading technology enables a fully compliant, owned-and-operated delivery service and MedMen Buds, a nationwide loyalty program.

MedMen believes that a world where cannabis is legal and regulated is safer, healthier and happier. Learn more at www.MedMen.com.

SOURCE: MedMen Enterprises

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, 15 U.S.C.A. Sections 77z-2 and 78u-5 (Supp. 1996). 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 "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or may contain statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "will continue", "will occur" or "will be achieved". The forward-looking information and forward-looking statements contained herein may include, but are not limited to, the expected benefits from terminating the Transaction, expectations regarding the Transfer of Interests, including the ability to complete such asset transfers, expectations regarding the receipt from PharmaCann of Rejected Transfer Fees in the event of any Rejected Transfer, expectations regarding the number of locations to be operating in California by the end of calendar year 2020, and expectations for other economic, business, and/or competitive factors.

By identifying such information and statements in this manner, MedMen is alerting the reader that such

information and statements are subject to known and unknown risks, uncertainties and other factors that may cause the actual results, level of activity, performance or achievements of MedMen to be materially different from those expressed or implied by such information and statements. In addition, in connection with the forward-looking information and forward-looking statements contained in this press release, MedMen has made certain assumptions. Among the key factors that could cause actual results to differ materially from those projected in the forward-looking information and statements are the following: inability to receive the requisite regulatory approvals for the Transfer of Interests, inability of PharmaCann to pay any Rejected Transfer Fees that may arise as a result of one or more Rejected Transfers, changes in general economic, business and political conditions, including changes in the financial markets; changes in applicable laws and compliance with extensive government regulation. Should one or more of these risks, uncertainties or other factors materialize, or should assumptions underlying the forward-looking information or statements prove incorrect, actual results may vary materially from those described herein as intended, planned, anticipated, believed, estimated or expected.

Although MedMen believes that the assumptions and factors used in preparing, and the expectations contained in, the forward-looking information and statements are reasonable, undue reliance should not be placed on such information and statements, and no assurance or guarantee can be given that such forward-looking information and statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such information and statements. 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. All subsequent written and oral forward-looking information and statements attributable to MedMen or persons acting on its behalf is expressly qualified in its entirety by this notice.

View source version on **businesswire.com**: <https://www.businesswire.com/news/home/20191008005369/en/>

OFFICER CONTACT:

Adam Bierman
Chief Executive Officer
info@medmen.com
(855) 292-8399

MEDIA CONTACT:

Christian Langbein
Vice President, Communications
Communications@MedMen.com

(424) 320-2367

INVESTOR RELATIONS CONTACT:

Stéphanie Van Hassel

Vice President, Investor Relations

Investors@MedMen.com

(323) 705-3025

Source: MedMen Enterprises