



## **Harborside Announces Business Combination with Urbn Leaf and Loudpack Creating StateHouse Holdings, a Leading California Cannabis Company**

*- Urbn Leaf CEO Ed Schmults to be named CEO of StateHouse -*

*- Vertically integrated with a fully installed and operational platform to consolidate the California cannabis sector -*

*- US\$77.3 million in rollup debt financing expected to provide non-dilutive capital, leveraging StateHouse's significant real estate portfolio -*

**OAKLAND, CA, November 29, 2021** -- Harborside Inc. ("Harborside" or the "Company") (CSE: HBOR), (OTCQX: HBORF) a California-focused, vertically integrated cannabis enterprise, is pleased to announce that it has entered into definitive agreements (the "Definitive Agreements") to acquire UL Holdings Inc. ("Urbn Leaf"), a top California cannabis retailer with a dominant position in Southern California (the "Urbn Leaf Transaction"), and LPF JV Corporation ("Loudpack"), a leading manufacturer, cultivator and distributor of award-winning cannabis brands in California (the "Loudpack Transaction" and, together with the Urbn Leaf Transaction, collectively, the "Transactions"). Following completion of the Transactions, Harborside is expected to be renamed StateHouse Holdings ("StateHouse"), subject to shareholder and regulatory approval.

Management believes that StateHouse, which is expected to trade under a new symbol (CSE: **STHZ**), will be the largest and most developed cannabis platform in the state of California with superior retail, brands, processing, manufacturing, distribution and cultivation. Management believes that StateHouse will have the highest estimated annual revenue and brand market share among its current publicly-listed California peers<sup>1</sup>, providing the Company with a strong platform for growth as a consolidator of California's cannabis industry. Through the first nine months of 2021, Harborside, on a pro-forma basis including revenue of Sublimation Inc. ("Sublime") for the entire period, had gross revenue of US\$57.8 million<sup>2</sup>, while Urbn Leaf and Loudpack had revenue of US\$45.9 million and US\$61.4 million, respectively. Therefore, on a pro forma basis,

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<sup>1</sup> Based on public disclosures and BDS Analytics

<sup>2</sup> Certain financial information included in this press release is neither audited nor reviewed. Where possible, the information has been constructed by management from available audited or audit reviewed financial statements. Where no audited or audit reviewed information has been available, additional management accounting information has been utilized to construct financial information. Financial statements have not been prepared in accordance with the same standards. Harborside and Loudpack prepare their financial statements in accordance with International Financial Reporting Standards. Urbn Leaf prepares their financial statements in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. Sublime for the period prior to acquisition by Harborside on July 2, 2021 prepared their financial statements in accordance with Generally Accepted Accounting Principles (GAAP) in the United States. Readers are cautioned not to place undue reliance on such information.

management estimates that StateHouse would have generated gross revenue of approximately US\$165 million for the same period.<sup>2</sup>

Ed Schmults, the current CEO of Urbn Leaf, is expected to be appointed as CEO of StateHouse upon completion of the Urbn Leaf Transaction and will be joining the Board of Directors of StateHouse. Marc Ravner, the current CEO of Loudpack, is expected to be appointed as President of StateHouse upon completion of the Loudpack Transaction and will be joining the Board of Directors of StateHouse. Matthew Hawkins, current Chairman and interim CEO of Harborside, will remain as Chairman of the Board of StateHouse.

“Since reconstituting the Company’s board of directors last year, our team embarked upon an ambitious mission to create a unique platform capable of consolidating California and driving significant growth through added scale. With these transactions, we are working to create a west coast cannabis powerhouse,” said Mr. Hawkins. “The combination of high-quality assets, increased scale and experienced leadership will drive tremendous value for shareholders. California is one of the world’s largest legal cannabis markets, with sales expected to reach US\$7.4 billion by 2025<sup>3</sup>. StateHouse will have a unique ability to navigate the operating challenges in the state and capitalize on the combined potential of the businesses we are acquiring. We are building what we believe is the ideal platform to consolidate the California cannabis sector, positioning us for long-term growth in both market share and profitability. Ed Schmults, an experienced leader with a proven retail and cannabis track record, is the right person to lead StateHouse into the future.”

The transaction was structured based upon the relative enterprise values of Harborside, Urbn Leaf and Loudpack. The aggregate consideration for the Transactions will be met through the issuance of 151,427,786 subordinate voting shares of Harborside (“SVS”) and the assumption and restructuring of debts and other obligations as well as the issuance of 2,000,000 warrants at a strike price of US\$2.50 per SVS (the “Warrants”). Harborside, Urbn Leaf and Loudpack noted that the structure of the transaction and overall consideration contemplates both a return to normalized enterprise valuations for California-focused cannabis companies and the potential for StateHouse to become a leading participant in that market. Based upon the relative enterprise value of each party, following closing of the Transactions, existing Harborside, Loudpack and Urbn Leaf shareholders will own approximately 35%, 39% and 26% of StateHouse, respectively, on a fully diluted basis and assuming conversion of all multiple voting shares of Harborside (“MVS”) to SVS.

In connection with the Transactions, management has entered into a letter of intent with Pelorus Equity Group to complete the Real Estate Financing (as defined below) of US\$77.3 million of non-dilutive real estate debt financing, which unlocks significant value from the StateHouse real estate portfolio and provides significant growth capital for the business. See “Concurrent Financing” below for further details.

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<sup>3</sup> ArcView 8<sup>th</sup> Edition estimate

## StateHouse Company Highlights<sup>4</sup>

- 15 retail locations<sup>5</sup>, representing the number two retail platform in California under one unified banner with further planned expansion;
- Nine popular brands, including top-five ranked brands in the pre-roll (Fuzzies and Kingpen), edible (Smokiez<sup>6</sup>) and value flower (Dime Bag) segments, representing the #3 ranked brand house in California<sup>7</sup>;
- Deep roster of products at a variety of price points creates a wide range of appeal to all customer types. The Company intends to support its retail customers through strong product selection, effective marketing support and a distribution strategy intended to reduce channel conflict;
- Manufacturing facilities with annual capacity of more than US\$400 million<sup>8</sup> in branded products revenue at full utilization, with capabilities to produce across all product formats offered by the Company;
- A state-wide distribution network for the Company's branded products that reaches more than 780 active accounts, including approximately 75% of California dispensaries;
- 230,000 square feet of greenhouse cultivation space, with additional near-term expansion capacity of more than 100,000 square feet of canopy; and
- 36,000 pounds of cultivation capacity with 22,000 pounds of additional near-term cultivation capacity<sup>9</sup>.

“The cannabis industry in California has reached an important tipping point, and with the collective strengths of these three companies and the benefits of integration, we have the right combination of assets and skills to set a new standard, offering consumers the widest variety of products with best-in-class customer service,” said Mr. Schmults.

Mr. Ravner added: “We are excited about the potential for this business combination. The assets of Loudpack, Harborside and Urbn Leaf are highly complementary. With increased scale and vertical integration, we expect to be a premier operator across every stage of the cannabis value chain.”

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<sup>4</sup> Assuming completion of the Transactions as contemplated in the Definitive Agreements

<sup>5</sup> Includes retail locations expected to open in the next twelve months

<sup>6</sup> Loudpack retains exclusive distribution rights in California

<sup>7</sup> Based on BDS Analytics as of September 30, 2021 with brand house being a company with a portfolio of more than one brand

<sup>8</sup> Assumes current market pricing for branded products, maximum utilization of currently installed equipment and operating the facility 24 hours per day 6 days per week.

<sup>9</sup> Includes both Harborside's Salinas facility and Loudpack's Greenfield facility. Current cultivation capacity assumes increased plant density at the Salinas facility with consistent yields. Additional near-term cultivation capacity assumes completion of two additional greenhouses that are partially completed at our Salinas facility.

## **Anticipated Benefits to Shareholders**

Statewide Retail Presence: StateHouse is expected to have 15 retail locations across key urban areas of California, with significant influence and control over shelf space and brand value. This strong retail platform will feature a unified retail banner, leading in-store customer service, ease of accessibility and delivery, and a diversified product offering.

Brands with Leading Market Share: StateHouse is expected to have a portfolio of leading brands with strong positions in the largest market segments. It will offer a deep roster of products at a variety of price points, creating a wide range of appeal to all customer types. The Company intends to support its retail customers through strong product selection, effective marketing support and distribution strategy that reduces channel conflict.

Vertical Integration and Outsized Margin Potential: StateHouse expects to achieve synergies through full vertical integration, with enhanced control over quality and input costs, production and distribution efficiencies, and access to shelf space. Vertical integration is expected to drive margin expansion at every stage of the value chain from cultivation to retail operations, creating leadership in each segment of the industry.

Scaled Cultivation Platform: StateHouse is expected to have a cultivation platform that is scaled to meet its production needs and limiting its reliance on the bulk market.

Strength in Manufacturing Driving Top-Tier Portfolio of Branded Products: StateHouse's leading manufacturing facility is expected to be positioned to continue developing new brands and SKUs to win in California.

Rolling up California: The California cannabis market is highly fragmented, with no significant presence from large multi-state operators. StateHouse is expected to be positioned to leverage its scale, reduced cost of capital and extensive management and board-level experience to acquire companies across the value chain, expand its footprint, and build a flagship California cannabis company.

Strong Leadership: In connection with the Transactions, the Company intends to reconstitute its management team and board of directors. The proposed new management team and board has deep experience in cannabis retail and cultivation as well as the consumer packaged goods sector. The proposed CEO of StateHouse, Ed Schmults, has more than 30 years of experience leading world-class brands including Patagonia and FAO Schwarz.

## **Details of the Transactions**

### **Urbn Leaf Transaction**

Pursuant to the terms of the definitive agreement with respect to Urbn Leaf (the "Urbn Leaf Agreement"), Harborside will acquire all of the equity interests of Urbn Leaf through the issuance of approximately 60,000,000 SVS, subject to adjustment, and the restructuring and assumption of debt. The Urbn Leaf Agreement provides for, among other things, customary representations and warranties and covenants, including mutual non-solicitation provisions and a US\$2.5 million termination fee payable by either the Company or Urbn Leaf in certain circumstances. The implementation of the Urbn Leaf Transaction will be subject to the approval of a majority of votes cast by Harborside shareholders and the approval of the shareholders of Urbn Leaf, and the receipt of certain regulatory approvals, including customary closing conditions for a transaction of this nature.

The Urbn Leaf Transaction has been unanimously approved by the board of directors of Urbn Leaf. The directors and officers and certain shareholders of Urbn Leaf, collectively holding approximately 69% of Series A shares and 96% of common shares, have entered into voting and support agreements to vote in favour of the Urbn Leaf Transaction. In addition, concurrent with the closing of the Urbn Leaf Transaction, the Company will enter into a lock-up agreement with certain shareholders of Urbn Leaf (the "Urbn Leaf Locked-Up Shareholders") in respect of the Harborside SVS to be received by such shareholders pursuant to the Urbn Leaf Transaction (the "Urbn Leaf Lock-Up Agreement"). Pursuant to the Urbn Leaf Lock-Up Agreement, the Urbn Leaf Locked-Up Shareholders will agree not to sell, assign or otherwise transfer the Harborside SVS received. The restrictions lapse in three installments with each one-third of the shares released from the restrictions on the 6-month, 12-month and 18-month anniversaries from the closing of the Urbn Leaf Transaction.

### **Loudpack Transaction**

Pursuant to the terms of the Definitive Agreement with respect to the Loudpack Transaction (the "Loudpack Agreement"), Harborside will acquire all of the equity interest of Loudpack through the issuance of approximately 91,427,786 SVS, subject to adjustment, 2,000,000 warrants and the assumption and restructuring of debts. The Warrants will be exercisable to purchase SVS at a price of US\$2.50 per SVS, anytime within 5 years of the closing date. Harborside will have the option to accelerate the expiration date of the Warrants in the event that the volume weighted average trading price of the SVS is equal to or greater than US\$5.00.

The Loudpack Agreement provides for, among other things, customary representations and warranties and covenants, including mutual non-solicitation provisions and a US\$5.0 million termination fee payable by either the Company or Loudpack in certain circumstances. The implementation of the Loudpack Transaction will be subject to the approval of a majority of votes cast by Harborside shareholders, the approval of a simple majority of the holders of SVS, the

approval of the sole shareholder of Loudpack, the approval of the voting members of Loudpack's sole shareholder and the receipt of certain regulatory approvals, including, but not limited to, approval pursuant to the Hart-Scott-Rodino Antitrust Improvements Act, and other customary closing conditions for a transaction of this nature.

The Loudpack Transaction has been unanimously approved by the board of directors of Loudpack. All of the voting members of the sole stockholder of Loudpack have entered into a voting and support agreement to vote in favour of the Loudpack Transaction. In addition, concurrent with the closing of the Loudpack Transaction, the Company will enter into a lock-up agreement with the sole stockholder of Loudpack in respect of the Harborside SVS to be received pursuant to the Loudpack Transaction (the "Loudpack Lock-Up Agreement"). Pursuant to the Loudpack Lock-Up Agreement, Loudpack's sole stockholder will agree not to sell, assign or otherwise transfer the Harborside SVS received, except to its members, who will be required to enter into equivalent lock-up agreements. The restrictions lapse in three installments with each one-third of the shares released from the restrictions on the 6-month, 12-month and 18-month anniversaries from the closing of the Loudpack Transaction.

### **Terms and Conditions**

Following closing of the Transactions, existing Harborside, Loudpack and Urbn Leaf shareholders will own approximately 35%, 39% and 26% of StateHouse, respectively on a fully diluted basis and assuming conversion of all MVS to SVS.

As aforementioned, both the Loudpack Transaction and Urbn Leaf Transaction require approval of the CSE and by Harborside shareholders at a special meeting of shareholders (the "Meeting") to be held in the first quarter of 2022. Harborside shareholders will also be asked to approve, among other things, the proposed change in the Company name at the Meeting.

A full description of the Loudpack Transaction and Urbn Leaf Transaction will be set forth in the management information circular of Harborside, which will be mailed to Harborside shareholders in connection with the Meeting, and filed on the System for Electronic Document Analysis and Retrieval ("SEDAR") under Harborside's profile at [www.sedar.com](http://www.sedar.com).

### **Harborside Board Approval**

Harborside's board of directors has unanimously approved the Transactions and has unanimously resolved to recommend that the shareholders of Harborside vote in favour of the Transactions. In addition, all directors and executive officers, as well as certain shareholders of Harborside, collectively holding approximately 27% of the Harborside voting interest, have indicated their intention to vote in favor of both the Loudpack Transaction and the Urbn Leaf Transaction.

PI Financial Corp. has provided fairness opinions to the board of directors of Harborside that, subject to the assumptions, limitations and qualifications set out in each such fairness opinion,

the consideration to be paid by Harborside shareholders pursuant to the Transactions is fair from a financial point of view to Harborside's shareholders.

## **Closing**

The Transactions are expected to close in the first half of 2022, subject to approval by Harborside shareholders, the CSE, regulatory approval and customary closing conditions.

## **Concurrent Financing**

### *Roll Up Financing*

In connection with the Transactions, the Company has signed a non-binding term sheet with Pelorus Equity Group for a total of US\$77.3 million of debt financing (the "Roll Up Financing") which would be used primarily to retire certain existing loans and provide additional working capital to the Company, Urbn Leaf and Loudpack. The Roll Up Financing would contain a nominal interest rate of 10.25%, along with specified origination, closing and other transaction fees, and would be secured by certain real estate assets and cannabis licenses of the Company, Urbn Leaf and Loudpack. It would also be subject to debt service ratio requirements, interest reserves, certain cross-corporate guarantees and defaults, subordination agreements and intercreditor agreements, along with a general corporate guaranty from the Company. The Roll Up Financing is intended to be funded in two tranches, with the first occurring prior to closing on the acquisitions of Urbn Leaf and Loudpack, and the second tranche to be funded to the Company post-closing, at a time of the Company's choosing. The first tranche is intended to be funded in three separate loans, with one loan each to Urbn Leaf, Loudpack and the Company. The Roll Up Financing also will contain terms so that, in the event that the first tranche is funded, and the Company does not close on the acquisitions of Urbn Leaf and/or Loudpack, the Company is no longer obligated to guarantee the specific portion of the first tranche that is related to the acquisition transaction that will not close. The Company intends to enter into a definitive agreement with Pelorus prior to the end of 2021.

"We're excited to be able to fund such a significant rollup in the California market," said Travis Goad, Managing Partner of Pelorus Equity Group. "We think the combined companies will be a formidable player on a go forward basis. This loan is one of our first in our new lower cost stabilized lending program. We expect this stabilized lending program will continue to be the best-in-class financing option for cannabis operators with cash flowing assets, especially for complex transactions such as this. Pelorus is constantly innovating new financing solutions for the cannabis real estate market."

## **Financial and Legal Advisors**

ATB Capital Markets Inc. and Stoic-Solidum Advisory acted as financial advisors to Harborside. Cassels Brock & Blackwell LLP acted as Canadian legal counsel and Duane Morris LLP acted as

United States legal counsel to Harborside. PI Financial provided fairness opinions on the Transactions to Harborside.

PGP Capital Advisors, LLC acted as financial advisor and Burns & Levinson LLP acted as United States legal counsel to Urbn Leaf.

Ducera Partners LLC and Beacon Securities Limited acted as financial advisor and Feuerstein Kulick LLP acted as United States legal counsel to Loudpack.

### **Conference Call**

Matt Hawkins and Ed Schmults will host a conference call tomorrow November 30, 2021, followed by a question and answer session.

Conference Call Date: Tuesday, November 30, 2021

Time: 10:00am, Eastern time

Toll-free Dial-in Number: 888-664-6392

International Dial-in Number: 416-764-8659

The call will be webcast at:

[https://produceredition.webcasts.com/starthere.jsp?ei=1515399&tp\\_key=09ca547b30](https://produceredition.webcasts.com/starthere.jsp?ei=1515399&tp_key=09ca547b30)

A telephonic replay of the conference call will also be available through December 14, 2021.

Toll-free Replay Number: 888-390-0541

International Replay Number: 416-764-8677

Replay ID: 088413#

A presentation highlighting details of the business combination can be found on the Harborside website.

*For the latest news, activities, and media coverage, please visit the Harborside corporate website at <http://www.investharborside.com> or connect with us on LinkedIn and Twitter. Information about StateHouse is also available on the Harborside website.*

### **About Harborside:**

Harborside Inc. is one of the oldest and most respected cannabis businesses in California, operating three of the major dispensaries in the San Francisco Bay Area, a dispensary in the Palm Springs area outfitted with Southern California's only cannabis drive-thru window, a dispensary in Oregon, a cultivation/production facility in Salinas, California, a manufacturing facility in Oakland, California and distribution hubs in San Jose and Los Angeles, California. The Company sells its Fuzzies, Sublime, KEY and Harborside Farms branded consumer products through third party retailers and delivery outlets across the state of California, as well as in its own stores. Harborside has played an instrumental role in making cannabis safe and accessible to a broad and diverse community of California consumers since 2006, when it was awarded one of the first six cannabis licenses granted in the United States. Today, the Company holds cannabis

licenses for in-store retail, delivery, distribution, cultivation, nursery and manufacturing. Harborside is currently a publicly listed company on the Canadian Securities Exchange (“CSE”) trading under the ticker symbol “HBOR” and on the OTCQX Best Market under the ticker symbol “HBORF”. Additional information regarding Harborside is available under Harborside’s SEDAR profile at [www.sedar.com](http://www.sedar.com).

### **About Urbn Leaf:**

Founded in 2016 by entrepreneur Will Senn, Urbn Leaf is an omni-channel retailer of the highest quality cannabis products available in California. The company first opened its Feel Good Boutique to the public with one store in San Diego in 2018 and has since grown to include seven retail locations and delivery options. The company employs 400 employees, including passionate budtenders who educate guests on the product line featuring bestsellers like Raw Garden, Kurvana, Kiva, Jeeter and Cannabiotix as well as Urbn Leaf’s own branded products.

### **About Loudpack:**

Loudpack is a leading privately-held, vertically-integrated cannabis company headquartered in Los Angeles, with a cultivation, manufacturing, processing and distribution footprint across California. A brands-first organization, Loudpack has been built to consistently produce and deliver its high-quality branded product at scale. Sold and self-distributed to retailers statewide in California, Loudpack’s house of brands cover nearly every form factor. The Company’s brands distributed in California include *Kingpen*, *Loudpack*, *Dimebag*, and *Smokiez*. For more information, visit <https://www.loudpack.com>.

### **2021 Outlook**

In a news release dated January 19, 2021, which is available under the Company’s profile at [www.sedar.com](http://www.sedar.com), the Company released certain forward-looking financial projections. In that news release, the Company announced that for 2021, it expected standalone gross revenues of between US\$68 to US\$72 million. The anticipated increase in revenues for 2021 was expected to be derived from improved retail pricing, along with continued improvements in both flower yields and distribution of wholesale products from the Company’s Production Campus. In addition, the Company announced that it expected an Adjusted EBITDA in the range of 15% to 17% of revenues for 2021. In developing the financial guidance, the Company formed several assumptions and relied on certain factors and considerations, including:

- no acquisitions were completed;
- improved flower yields; and
- ongoing and anticipated market trends. The Company also noted the uncertainty resulting from the COVID-19 pandemic.

On an ongoing basis, the Company reviews its financial forecasts to assess the reasonableness of specific developments and broader industry and economic factors. As disclosed in this news release, since releasing the above guidance, the Company has engaged in robust M&A activity

and strategic growth initiatives to drive shareholder value, including the completion of the Sublime and Accucanna acquisitions and the announcement of the potential acquisitions of Urbn Leaf and Loudpack. At the same time, the Company has experienced similar market impacts as other cannabis companies operating in California, including a decline in wholesale pricing for bulk products in the California market and a decline in retail revenue which was primarily due to a decrease in retail store foot traffic. This was attributed to the California retail market experiencing a softening in consumer demand and the beginning of commoditization decrease in wholesale revenues as a result of a decline in wholesale pricing for bulk products in the California market. Operationally, the Company also implemented a change in its harvest procedures which delayed flower production in Q3 2021 to allow for the adoption of a perpetual harvest schedule beginning in Q4 2021. The Production Campus also experienced a temporary COVID-19 related supply chain issue with a growing medium (substrate material) which did not meet agreed upon specifications and thereby caused a short-term reduction in harvest yields.

As a result of these significant developments, the Company has elected to withdraw its previously provided guidance and will revisit guidance post-Closing.

### **Non-IFRS Measures, Reconciliation and Discussion**

This press release may contain references to “EBITDA”, and “Adjusted EBITDA” which are non-IFRS financial measures.

EBITDA and Adjusted EBITDA are measures of the Company’s overall financial performance and are used as an alternative to earnings or net income in some circumstances. EBITDA and/or Adjusted EBITDA are essentially net income (loss) with interest, taxes, depreciation and amortization, non-cash adjustments and other unusual items added back. This measure can be used to analyze and compare profitability among companies and industries, as it eliminates the effects of financing and capital expenditures. It is often used in valuation ratios and can be compared to enterprise value and revenue. This measure does not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies.

There are no comparable IFRS financial measures presented in Harborside’s financial statements. Reconciliations of the supplemental non-IFRS measures are presented in the Company’s management’s discussion and analysis for the period ended September 30, 2021. These non-IFRS financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believes that the non-IFRS financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. The Company believes that these supplemental measures provide information which is useful to shareholders and investors in understanding our performance and may assist in the evaluation of the Company’s business relative to that of its peers.

These non-IFRS financial measures should not be considered superior to, as a substitute for, or as an alternative to, and should be considered in conjunction with, the IFRS financial measures

presented in the Company's financial statements. For more information, please see "Use of Non-IFRS Measures" and "Non-IFRS Measures" in the Company's management's discussion and analysis for the period ended September 30, 2021, which is available under the Company's profile on [www.sedar.com](http://www.sedar.com).

### **Cautionary Note Regarding Forward-Looking Information**

This news release contains "forward-looking information" and "forward-looking statements" (collectively, "forward-looking statements") within the meaning of the applicable Canadian securities legislation. All statements, other than statements of historical fact, are forward-looking statements and are based on expectations, estimates, and projections as at the date of this news release. Any statement that involves discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions, future events or performance (often but not always using phrases such as "expects", or "does not expect", "is expected", "anticipates" or "does not anticipate", "plans", "budget", "scheduled", "forecasts", "estimates", "believes" or "intends" or variations of such words and phrases or stating that certain actions, events or results "may" or "could", "would", "might" or "will" be taken to occur or be achieved) are not statements of historical fact and may be forward-looking statements. In this news release, forward-looking statements include, among other things, the completion of the Transactions on the terms described herein, if at all, timing to complete the Transactions, and the benefits and synergies created by the Transactions, including with respect to revenue, production capabilities, product offering and expectations of future profitability following the completion of the Transactions and benefits to shareholders of the Company; the number of SVS issuable under the Transactions; the anticipated timing of the Meeting; the anticipated timing of the closing of the Transactions; the satisfaction or waiver of the closing conditions set out in the Urbn Leaf Agreement and Loudpack Agreement, including receipt of all regulatory and securityholder approvals; market expansion efforts and the ability of StateHouse to capture additional market share; expectations of future growth; the proposed management team of StateHouse; the ability of StateHouse to complete additional acquisitions following the completion of the Transactions; the closing of the Real Estate Financing, including the final terms thereof; and expectations for other economic, business and/or competitive factors.

These forward-looking statements are based on reasonable assumptions and estimates of management of the Company at the time such statements were made. Actual future results may differ materially as forward-looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of the Company to materially differ from any future results, performance, or achievements expressed or implied by such forward-looking statements. Such factors, among other things, include: implications of the COVID-19 pandemic on the Company's operations; fluctuations in general macroeconomic conditions; fluctuations in securities markets; expectations regarding the size of the cannabis markets where the Company operates; changing consumer habits; the ability of the Company to successfully achieve its business objectives; plans for expansion; political, social and environmental uncertainties; inability to obtain adequate insurance to cover risks and hazards; employee relations; the presence of laws and regulations that may impose restrictions on cultivation, production, distribution, and sale of cannabis and cannabis-related products in the

markets where the Company operates; and the risk factors set out in the Company's management's discussion and analysis for the quarter ended September 30, 2021 and the Company's listing statement dated May 30, 2019, which are available under the Company's profile on [www.sedar.com](http://www.sedar.com). Although the forward-looking statements contained in this news release are based upon what management of the Company believes, or believed at the time, to be reasonable assumptions, the Company cannot assure shareholders that actual results will be consistent with such forward-looking statements, as there may be other factors that cause results not to be as anticipated, estimated or intended. Readers should not place undue reliance on the forward-looking statements and information contained in this news release. The Company assumes no obligation to update the forward-looking statements of beliefs, opinions, projections, or other factors, should they change, except as required by law. To the extent any forward-looking information in this news release constitutes "financial outlook" or "future-oriented financial information" within the meaning of applicable Canadian securities laws, the reader is cautioned not to place undue reliance on such information. Financial outlook and future-oriented financial information, as with forward-looking information generally, are, without limitation, based on the assumptions and subject to various risks as set out herein. The Company's actual financial position and results of operations may differ materially from management's current expectations and, as a result, the Company's revenue and Adjusted EBITDA for fiscal year 2021 may differ materially from the financial outlook and future-oriented information provided in this news release.

The Company, through several of its subsidiaries, is indirectly involved in the manufacture, possession, use, sale, and distribution of cannabis in the recreational and medicinal cannabis marketplace in the United States. Local state laws where the Company operates permit such activities but investors should note that there are significant legal restrictions and regulations which 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 recreational and medicinal cannabis programs in states where such programs are legal, strict compliance with state laws with respect to cannabis will neither absolve the Company of liability under US federal law, nor will it provide a defense to any federal proceeding which may be brought against the Company. The enforcement of federal laws in the United States is a significant risk to the business of the Company and any proceedings brought against the Company thereunder may adversely affect the Company's operations and financial performance. This news release does not constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of any of the securities in any jurisdiction in which such offer, solicitation or sale would be unlawful, including any of the securities in the United States of America. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act") or any state securities laws and may not be offered or sold within the United States or to, or for account or benefit of U.S. Persons (as defined in Regulation S under the 1933 Act) unless

registered under the 1933 Act and applicable state securities laws, or an exemption from such registration requirements is available.

*The 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.*

**Company Contacts:**

Harborside Inc.

Roman Stahl, VP Investor Relations, Mergers & Acquisitions

[ir@hborgroup.com](mailto:ir@hborgroup.com)

Urbn Leaf

Chris Ann Goddard, President CGPR

[chris@cgprpublicrelations.com](mailto:chris@cgprpublicrelations.com)

Loudpack

James Girsdansky

Director, Corporate Development

[investors@loudpack.com](mailto:investors@loudpack.com)

**Investor Contact:**

Bay Street Communications

Philip Koven, Managing Partner

[pkoven@baystreetcommunications.com](mailto:pkoven@baystreetcommunications.com)

**Media Contact:**

MATTIO Communications

[harborside@mattio.com](mailto:harborside@mattio.com)