

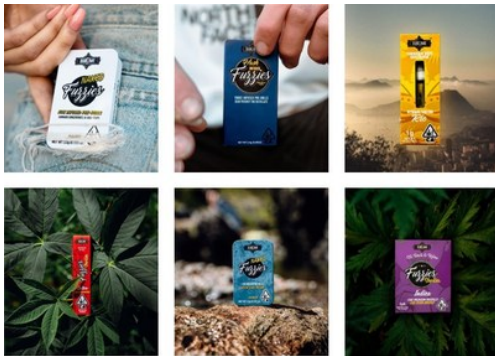


Harborside Announces Agreement to Acquire Sublime for US\$43.8 Million

Sublime is an Award-Winning, California Based Infused Pre-Roll Brand, Ranked #1 by Market Share

Plans to Expand Product Offering Across Owned Retail and Wholesale Market

OAKLAND, CA, June 1, 2021 /CNW/ - [Harborside Inc.](#) ("Harborside" or the "Company") (CSE: HBOR) (OTCQX: HBORF) a California-focused, vertically integrated cannabis enterprise, today announced it has signed a definitive agreement (the "Agreement") to acquire 100% of the issued and outstanding equity of Sublimation Inc. ("Sublime"), an award-winning cannabis manufacturing company located in Oakland, CA, for a total consideration of US\$43.8 million (the "Acquisition"). The Acquisition is expected to close, subject to customary closing conditions, in July 2021.



Harborside Announces Agreement to Acquire Sublime for US\$43.8 Million (CNW Group/Harborside Inc.)

Founded in 2016, Sublime is best known for its expansive line of high-potency, high-quality and affordable, Fuzzies branded pre-rolls, a leading brand of pre-rolls in the state of California, as well as vapes and roll-your-own flower kits. Since 2019 Sublime has delivered a revenue CAGR of approximately 70%, and ended 2020 with 7.9% California pre-roll market share¹. Sublime is strategically positioned for continued growth as pre-rolls are the fastest growing cannabis sub-segment within the California market since the beginning of 2020.

Upon completion of the Acquisition, Harborside expects to realize significant synergies by bringing together Sublime's brands, production capabilities and robust distribution system with the high-quality cannabis grown at the Company's Salinas, California cultivation facility which is anticipated to result in additional gross profit and EBITDA by extending the reach of Sublime, Harborside and Key branded products throughout the state of California. Harborside also expects to bolster Sublime's marketing capabilities, which is expected to drive higher retail margins for the Company as an owned brand within its portfolio. Finally, Harborside will seek to license the Fuzzies California lifestyle brand in additional legal recreational markets across the country, particularly those that do not currently have high potency infused products.

"This acquisition adds an iconic, award-winning California brand, with an exceptional product offering and consumer following, to our growing brand portfolio," said Peter Bilodeau, Interim CEO of Harborside. "Harborside has been a customer of Sublime for many years and we know the quality of their products. With the existing production capacity and soon to be completed upgrades at our Salinas cultivation facility, we are well-positioned to support the continued growth of the Sublime brands while expanding the reach of Harborside's existing branded product portfolio in both the retail and wholesale markets, which we expect to ultimately drive increased profitability across our entire business. We're very excited to continue to provide consumers with innovative, high-quality products while delivering strong value for our shareholders. The Company will issue new guidance in due course."

Ahmer Iqbal, CEO of Sublime, added, "Harborside is known for being an innovative pioneer within the California cannabis market and has garnered a long term reputation across the state for being a leading retailer and producing high-quality products. As a leader among California brands, we are thrilled that Sublime will join the Harborside owned-brand portfolio, leveraging their production and retail capabilities to further expand the distribution of Sublime products throughout California."

¹Source: BDS Analytics

Transaction Details

Upon closing, Harborside will acquire 100% of the issued and outstanding shares of Sublime (the "Sublime Shares") in exchange for a total consideration of US\$43.8 million (the "Purchase Price"). The Purchase Price comprises of approximately US\$38.4 million payable in multiple voting shares of the Company, representing approximately 207,579.66 multiple voting shares of the Company based on volume-weighted average price of the subordinate voting shares of the Company on the Canadian Securities Exchange (the "CSE") for the 30-days immediately preceding the date of the Agreement and approximately US\$5.4 million in cash (of which

approximately US\$3.4 million will be used to repay existing indebtedness of Sublime). The Purchase Price represents a multiple of approximately 1.78x to the estimated \$24.6 million of standalone 2021 revenues for Sublime.

The Agreement provides for, among other things, customary representations and warranties and covenants, including mutual non-solicitation provisions and a US\$1.5 million termination fee payable by either the Company or Sublime in certain circumstances. The Acquisition is subject to the approval of the shareholders of Sublime, and the receipt of certain regulatory approvals and other customary closing conditions for a transaction of this nature.

The directors and officers and certain shareholders of Sublime, collectively holding approximately 86.5% of the outstanding Sublime Shares, have entered into voting and support agreements and have agreed to approve the Acquisition. In addition, concurrent with the closing of the Acquisition, the Company will enter into a lock-up agreement with certain shareholders of Sublime (the "Locked-Up Shareholders") in respect of the multiple voting shares of the Company to be received by such shareholders pursuant to the Acquisition (the "Lock-Up Agreement"). Pursuant to the Lock-Up Agreement, the Locked-Up Shareholders will agree not to sell, assign or otherwise transfer the multiple voting shares received. The restrictions lapse in three installments with 50% of the shares released from the restrictions on the 12-month anniversary and 25% of the shares released from the restrictions on each the 15-month and 18-month anniversaries from the closing of the Acquisition, respectively.

Harborside's Board of Directors has approved the Acquisition. As well, Sublime's Board of Directors has approved the Acquisition and has resolved to recommend that Sublime shareholders vote in favor of the Acquisition.

Financial and Legal Advisors

ATB Capital Markets Inc. is acting as financial advisor, and Duane Morris LLP and Cassels Brock & Blackwell LLP are acting as legal counsel to Harborside. PI Financial Corp. provided a fairness opinion to the Board of Directors of Harborside. VIII Eight Capital is acting as financial advisor, and CGL LLP and Gowling WLG (Canada) LLP are acting as legal counsel to Sublime.

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.

For the latest news, activities, and media coverage, please visit the Harborside corporate website at www.investharborside.com or connect with us on [LinkedIn](#), and [Twitter](#).

About Harborside:

Harborside Inc. is one of the oldest and most respected cannabis retailers 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 and a cultivation/production facility in Salinas, California. 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 medical cannabis licenses granted in the United States. Today, the Company holds cannabis licenses for retail, distribution, cultivation, nursery, and manufacturing. Harborside is 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.

About Sublime:

Sublimation Inc. is one of the most innovative privately held cannabis manufacturers in California and is well known for its great tasting, high potency Fuzzies branded products. The Oakland-based company designs, manufactures and distributes pre-rolls, vape cartridges, pre-ground flower, batteries and gummies under the Sublime brand and for other branded customers. Founded in 2016, Sublime has won numerous awards for its Fuzzies infused pre-rolls and Gold vape cartridges and holds Medical and Adult-Use cannabis licenses for manufacturing and distribution. Additional information regarding Sublime can be found at www.sublimecanna.com.

Non-IFRS Measures, Reconciliation and Discussion

This press release may contain references to "EBITDA", which is a non-IFRS financial measure.

EBITDA is a measure of the Company's overall financial performance and is used as an alternative to earnings or net income in some circumstances. EBITDA is 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 March 31, 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 March 31, 2021, which is available under the Company's profile on 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 Acquisition on the terms described herein, if at all, timing to complete the Acquisition, and the benefits and synergies created by the Acquisition, including with respect to the Company's production capabilities, product offering and expectations of future profitability following the completion of the Acquisition.

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 March 31, 2021 and the Company's listing statement dated May 30, 2019, which are available under the Company's profile on 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.

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 however, 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 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.

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.

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