

**FORM 51-102F3
MATERIAL CHANGE REPORT**

ITEM 1 **Name and Address of Company**

Harborside Inc. (the “Company”)
181 Bay Street, Suite 1800
Toronto, ON
M5J 2T9

ITEM 2 **Date of Material Change**

November 29, 2021

ITEM 3 **News Release**

A news release announcing the material change was disseminated by the Company on November 29, 2021 through CNW and subsequently filed on the System for Electronic Document Analysis and Retrieval (“SEDAR”) under the Company issuer profile at www.sedar.com.

ITEM 4 **Summary of Material Change**

On November 29, 2021, the Company entered into (i) a definitive agreement and plan of merger and reorganization (the “**Loudpack Agreement**”) with LPF JV Corporation (“**Loudpack**”), LPF Merger Sub, Inc. and LPF Holdco LLC (the “**Sole Stockholder**”) to acquire 100% of the equity interests of Loudpack (the “**Loudpack Transaction**”); and (ii) a definitive agreement (the “**Urbn Leaf Agreement**”) with UL Holdings Inc. (“**Urbn Leaf**”) and Saturn Merger Sub, Inc. to acquire 100% of the equity interests of Urban Leaf (the “**Urbn Leaf Transaction**” and together with the Loudpack Transaction, the “**Transactions**”).

ITEM 5 **Full Description of Material Change**

Loudpack Transaction

On November 29, 2021, the Company entered into the Loudpack Agreement, pursuant to which the Company agreed to acquire 100% of the equity interests of Loudpack for approximately (i) 91,427,786¹ subordinate voting shares of the Company (the “**Subordinate Voting Shares**”), subject to adjustment in accordance with the terms of the Loudpack Agreement, and (ii) 2,000,000 warrants exercisable to purchase Subordinate Voting Shares at a price of US\$2.50 per Subordinate Voting Share anytime within 5 years of the closing date of the Loudpack Transaction, subject to the Company’s right to accelerate the expiration date of the Warrants in the event that the volume weighted average trading price of the Subordinate Voting Shares is equal to or greater than US\$5.00 for a period of 30 consecutive trading days.

¹ The consideration payable under each of the Loudpack Transaction and Urbn Leaf Transaction is based upon the relative enterprise values of the Company, Urbn Leaf and Loudpack, as determined immediately prior to the completion of each of these transactions and adjusted as necessary on a post-closing basis in accordance with the terms of the Loudpack Agreement and Urbn Leaf Agreement, as the case may be. As such, the number of Subordinate Voting Shares issuable as consideration is based on management’s calculations of the relative enterprise values of the companies as of November 29, 2021, and is subject to change in accordance with the terms of the Loudpack Agreement and/or the Urbn Leaf Agreement, as applicable.

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 the share issuance by a majority of votes cast by the holders of Subordinate Voting Shares and the holders of multiple voting shares (“**Multiple Voting Shares**”) of the Company (together, the “**Harborside Shareholders**”) voting together as a single class, the approval of the termination of, or an amendment to, the Company’s shareholder rights plan by a majority of the votes cast by the holders of Subordinate Voting Shares, the approval of the Sole Stockholder, the approval of the voting members of the Sole Stockholder (the “**Voting Members**”), and the receipt of certain regulatory approvals, including 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 and all of the Voting Members 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 Sole Stockholder in respect of the Subordinate Voting Shares to be received pursuant to the Loudpack Transaction (the “**Loudpack Lock-Up Agreement**”). Pursuant to the Loudpack Lock-Up Agreement, the Sole Stockholder will agree not to sell, assign or otherwise transfer the Subordinate Voting Shares received, except to its members, who will be required to enter into equivalent lock-up agreements. The restrictions under the Loudpack Lock-Up Agreement will lapse in three instalments with each one-third of the Subordinate Voting Shares released from the restrictions on the 6-month, 12-month and 18-month anniversaries from the closing of the Loudpack Transaction.

Urbn Leaf Transaction

On November 29, 2021, the Company entered into the Urbn Leaf Agreement, pursuant to which the Company agreed to acquire 100% of the equity interests of Urbn Leaf for (i) approximately 60,000,000¹ Subordinate Voting Shares, subject to adjustment in accordance with the terms of the Urbn Leaf Agreement.

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 the share issuance by a majority of votes cast by the Harborside Shareholders, voting together as a single class, 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 and 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 Subordinate Voting Shares 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 Subordinate Voting Shares received under the Loudpack Transaction. The restrictions lapse in three instalments with each one-third of the Subordinate Voting Shares released from the restrictions on the 6-month, 12-month and 18-month anniversaries from the closing of the Urbn Leaf Transaction.

Combined Company

Following the completion of the Transactions, the combined company resulting from the Transactions is expected to be renamed StateHouse Holdings Inc. (“**StateHouse**”) and change its ticker symbol on the Canadian Securities Exchange (the “**CSE**”) to “**STHZ**”, subject to the approval of the Harborside Shareholders and receipt of regulatory approvals.

Ed Schmults, the current CEO of Urbn Leaf, is expected to be appointed as Chief Executive Officer of StateHouse upon completion of the Urbn Leaf Transaction and join the board of directors of the Company (the “**Board**”). Marc Ravner, the current Chief Executive Officer of Loudpack, is expected to be appointed as President of StateHouse upon completion of the Loudpack Transaction and join the Board. Matthew Hawkins, current Chairman and interim Chief Executive Officer of the Company, is expected to remain as Chairman of the Board.

Based on the number of Subordinate Voting Shares estimated to be issued pursuant to the Transactions, following completion of the Transactions, existing Harborside Shareholders and Loudpack and Urbn Leaf shareholders are expected to own approximately 35%, 39% and 26% of StateHouse, respectively on a fully diluted basis and assuming conversion of all Multiple Voting Shares to Subordinate Voting Shares.

Board Approval

The Board has unanimously approved the Transactions and has unanimously resolved to recommend that Harborside Shareholders vote in favour of the Transactions. PI Financial Corp. has provided fairness opinions to the Board that, subject to the assumptions, limitations and qualifications set out in each such fairness opinion, the consideration to be paid by the Company pursuant to the Transactions is fair from a financial point of view to the Harborside Shareholders.

Meeting

The Loudpack Transaction and Urbn Leaf Transaction require approval of the Harborside Shareholders at a special meeting of Harborside Shareholders (the “**Meeting**”) expected to be held in the first quarter of 2022. Harborside Shareholders will also be asked to approve, among other things, the proposed change of 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 the Company, which will be mailed to Harborside Shareholders in connection with the Meeting and filed on **SEDAR** under the Company’s issuer profile at www.sedar.com.

The Transactions are expected to close in the first half of 2022, subject to receipt of the approvals outlined above and other customary closing conditions for transactions of this nature.

ITEM 6 **Reliance on Subsection 7.1(2) of National Instrument 51-102**

N/A

ITEM 7 **Omitted Information**

N/A

ITEM 8 **Executive Officer**

Further information regarding the matters described in this report may be obtained from Tom DiGiovanni, Chief Financial Officer of the Company, who is knowledgeable about the details of the material change and may be contacted at 1-805-252-6280.

ITEM 9 **Date of Report**

December 9, 2021

Forward Looking Information

This material change report 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 material change report. 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 material change report, 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; the receipt of all required shareholder and regulatory approvals to complete the Transactions, including receipt of shareholder approval for the proposed change of the Company’s name; the number of Subordinate Voting Shares expected to be issued under the Transactions; the relative ownership of the Company by Harborside Shareholders and shareholders of Urbn Leaf and Loudpack following the completion of the Transactions; and timing to hold the Meeting.

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. Although the forward-looking statements contained in this material change report 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 material change report. 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.