



Harborside Inc. Completes Acquisition of Loudpack to Form One of the Largest Vertically Integrated Cannabis Enterprises in California

– Company also reconstitutes its Board of Directors and prepares for name change to StateHouse Holdings and concurrent share consolidation –

OAKLAND, Calif., and TORONTO, April 5, 2022 /CNW/ - Harborside Inc. ("Harborside" or the "Company") (CSE: HBOR), (OTCQX: HBORF), a California-focused, vertically integrated cannabis enterprise, today announced that it has completed the previously announced acquisition of LPF JV Corporation ("Loudpack"), a leading manufacturer, cultivator and distributor of award-winning cannabis brands in California. The acquisition of Loudpack follows Harborside's acquisition of UL Holdings Inc. ("Urbn Leaf") completed on March 1, 2022 and Harborside's acquisition of Sublimation Inc. ("Sublime") completed on July 2, 2021. Following completion of the acquisitions, the Company plans to be renamed StateHouse Holdings Inc. ("StateHouse").¹

"This is an important milestone," said Ed Schmults, Chief Executive Officer of Harborside. "By combining the businesses of Harborside, Sublime, Urbn Leaf and Loudpack, we established a true leader in California's cannabis industry with a strong platform for growth. The Loudpack team, led by CEO Marc Ravner, has built a tremendous business that is highly complementary to the rest of our operations. We welcome them aboard and look forward to building a stronger company together as StateHouse."

"StateHouse has a very promising future,"¹ said Marc Ravner, who has been appointed President of Integration of the Company. "We are ideally positioned with an integrated platform that features strong brands, a broad retail footprint, scaled manufacturing, state-wide distribution and proprietary cultivation. On behalf of everyone at Loudpack, I look forward to building shareholder value as part of the StateHouse team."

STATEHOUSE HIGHLIGHTS¹

- One of the largest vertically integrated California public cannabis enterprise with estimated pro-forma gross revenue of approximately US\$165 million for the first nine months of 2021;^{2,3}
- Statewide presence with 15 retail locations and further strategic expansions in the pipeline;⁴
- #3 ranked brand house in California with nine renowned brands, including top-five ranked brands in the pre-roll (Fuzzies and Kingpen), edible (Smokiez) and value flower (Dime Bag) segments;⁵
- Manufacturing facilities with annual capacity of more than US\$400 million⁶ in branded products revenue at full utilization, with capabilities to produce across all product formats offered by the Company;
- Fully scaled greenhouses featuring capacity of 230,000 square feet of cultivation space, with additional near-term expansion capacity of more than 100,000 square feet of canopy to support the Company's vertically integrated platform;⁷ and
- Substantial and imminently realizable synergies, with expected margin expansion at most stages of the value chain from cultivation to retail.

TERMS OF LOUDPACK ACQUISITION

Pursuant to the terms of the definitive agreement announced on November 29, 2021, Harborside acquired 100% of the equity interests of Loudpack through the issuance of 90,752,140 subordinate voting shares ("SVS" or "Share"), 2,000,000 warrants (the "Warrants"), the restructuring and assumption of US\$50 million of debt and cash consideration of approximately US\$5 million (the "Loudpack Acquisition"). The Warrants are exercisable to purchase SVS at a price of US\$2.50 per SVS, anytime within five years of the closing date. Harborside has 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.

Concurrent with the closing of the Loudpack Acquisition, the Company entered into a lock-up agreement with the stockholders of Loudpack in respect of the SVS received pursuant to the transaction (the "Loudpack Lock-Up Agreement"). Pursuant to the Loudpack Lock-Up Agreement, Loudpack's stockholders have agreed not to sell, assign or otherwise transfer the SVS received, except to their respective 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 six months, 12 months and 18 months from the closing date, respectively.

NAME CHANGE TO STATEHOUSE AND SHARE CONSOLIDATION¹

With the acquisitions of Loudpack and Urbn Leaf now completed, Harborside plans to file articles of amendment to officially be renamed StateHouse (the "Name Change") and to effect the consolidation (the "Consolidation") of all of its issued and outstanding SVS.

Pursuant to the Consolidation, shareholders are expected to receive one post-Consolidation Share for every six pre-Consolidation Shares (the "Consolidation Ratio"), subject to the Company continuing to meet minimum listing requirements of the Canadian Securities Exchange (the "CSE"). Accordingly, following the Name Change and Consolidation, shareholders currently holding six Shares of Harborside will instead own one Share of StateHouse. In the event that the Consolidation would result in the issuance of fractional Shares, each fractional post-Consolidation Share will be rounded down to the nearest whole, with any fractional Shares deemed to have been tendered for cancellation for no consideration. The trading price of the SVS is expected to reflect the Consolidation Ratio immediately upon the resumption of trading following the Name Change and Consolidation.¹

The Company expects the Name Change and Consolidation to be completed on or about April 28, 2022, following which the post-Consolidation SVS will trade on the CSE under the new ticker symbol "STHZ". The Name Change and Consolidation were approved by the shareholders of the Company on February 22, 2022. The Company's new corporate website, statehouseholdings.com, will launch following completion of the Name Change and Consolidation.

All registered shareholders holding physical share certificates representing their existing Shares are required to send such certificates to the Company's registrar and transfer agent, Odyssey Trust Company, at 702-67 Yonge Street, Toronto, ON M5E 1J8, Attention: Corporate Actions. Shareholders who hold their securities through a broker, investment dealer, bank or trust company should contact that nominee or intermediary for assistance in depositing their securities in connection with the Name Change and Consolidation.

RECONSTITUTION OF BOARD OF DIRECTORS AND APPOINTMENT OF NEW OFFICERS

Harborside is also pleased to announce that Marc Ravner, Tiffany Liff and Jonathon Roy Pottle have joined the board of directors of the Company (the "Board"), effective immediately, as approved at the Special Meeting of Shareholders of Harborside on February 22, 2022. Mr. Ravner, who has been appointed President of Integration of the Company, was a founding member of Loudpack and served as its Chairman and Chief Executive Officer.

Kevin K. Albert, Andrew Sturmer and Peter Kampian have departed the Board to create vacancies for the new members (the "Resignations"). Mr. Sturmer will transition into the role of a board observer, alongside Mr. Roger Jenkins and Mr. Willie Senn, who will retain their existing roles as board observers, following the completion of the Loudpack Acquisition. Harborside sincerely thanks Mr. Albert and Mr. Kampian for their substantial contributions to the Company and wishes them the best in their future endeavours.

In addition to Mr. Ravner's appointment as President of Integration of the Company, Harborside also announces that Robert Bacchi has been appointed Chief

Technology Officer of the Company. Mr. Bacchi has extensive experience in regulated and unregulated supply chain industries and has led IT teams for companies across a variety of industry verticals for over 20 years. As a consultant, he also provided technology solutions for Fortune 500 companies including Dell, Best Buy, Abbott Labs, Verizon, Rite Aid, and Cisco. Over the last four years, he has served as Chief Technology Officer for several cannabis businesses covering the entire 'seed to sale' ecosystem, including the last year at Urbn Leaf. During his tenures, Mr. Bacchi ensured that technology supported business strategies and deployed secure platforms led to operational efficiencies, revenue generation, and employee collaboration.

GRANT OF INCENTIVE OPTIONS AND RSUs TO THE BOARD AND MANAGEMENT

The Company also announced that, pursuant to the appointments of Ed Schmults as Chief Executive Officer to the Company, and Will Senn as Chief Corporate Development Officer of the Company, as announced on March 1, 2022, following the acquisition of Urbn Leaf, the Company granted to Mr. Schmults and Mr. Senn: (i) options (each, an "Option") to purchase an aggregate of 5,758,797 SVS; and (ii) restricted share units (each, an "RSU") representing the right to receive up to an aggregate of 912,599 SVS, subject to the satisfaction of certain vesting conditions. Each Option granted to Mr. Schmults and Mr. Senn on March 1, 2022 is exercisable into one SVS at an exercise price of C\$0.70 per SVS for a period of five years following the date of grant.

Following completion of the Loudpack Acquisition, the Company granted: (i) Options to purchase an aggregate of 10,801,203 SVS; and (ii) RSUs representing the right to receive up to an aggregate of 787,401 SVS, subject to the satisfaction of certain vesting conditions, to certain employees of the Company. In addition, the Company granted RSUs representing the right to receive up to an aggregate of 1,950,000 SVS, subject to the satisfaction of certain vesting conditions, to members of its newly reconstituted Board.

The Company also granted Options to purchase up to 50,000 SVS to each of Mr. Albert, Mr. Sturner and Mr. Kampian, for certain advisory and consulting services to be provided to the Company following the Resignations, and Options to purchase up to 50,000 SVS to Mr. James Scott, in connection with his role as Chair of the special committee of the Company.

Each Option granted is exercisable into one SVS at an exercise price of C\$0.75 per SVS for a period of five years following the date of grant. All Options and RSUs were granted in accordance with Harborside's equity incentive plan adopted by the Board on January 17, 2022, and approved by shareholders on February 22, 2022 (the "Plan"). A copy of the Plan is available under the Company's SEDAR profile at www.sedar.com.

ADVISORS

ATB Capital Markets Inc. ("ATB") and Stoic-Solidum Advisory ("SSA") acted as financial advisors to Harborside. Aird & Berlis LLP and Cassels Brock & Blackwell LLP acted as Canadian legal counsel and Duane Morris LLP acted as United States legal counsel to Harborside. PI Financial provided a fairness opinion on the Loudpack Acquisition to Harborside. Ducera Partners LLC and Beacon Securities Limited acted as financial advisor and Feuerstein Kulick LLP acted as United States legal counsel to Loudpack.

The Company has agreed to issue an aggregate of 1,443,493 SVS at a deemed issuance price of C\$0.72 per SVS to settle C\$798,822 owing to ATB and C\$236,825 owing to SSA (collectively, the "Indebtedness") for certain advisory services provided to the Company in connection with the Urbn Leaf and Loudpack acquisitions. The SVS will be issued in reliance on certain prospectus exemptions available under securities legislation and will be subject to a four-month plus one day statutory hold period. The issuance of SVS to settle the Indebtedness remains subject to all necessary regulatory approvals including final acceptance by the CSE.



Loudpack facility in Greenfield, CA (CNW Group/Harborside Inc.)



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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](#).

About Harborside

Harborside Inc., a vertically integrated enterprise with cannabis licenses covering retail, major brands, distribution, cultivation, nursery and manufacturing, is one of the oldest and most respected cannabis companies in California. Founded in 2006, Harborside was awarded one of the first six medical cannabis licenses granted in the United States. Today, the company operates eleven major dispensaries covering Northern and Southern California and one in Oregon, as well as a manufacturing facility in Oakland, California, distribution facilities in San Jose and Los Angeles, California and integrated cultivation/production facilities in Salinas and Greenfield, California. Harborside is a publicly listed company, currently trading on the CSE under the ticker symbol "HBOR" and the OTCQX under the ticker symbol "HBORF". The Company continues to play an instrumental role in making cannabis safe and accessible to a broad and diverse community of California and Oregon consumers.

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 and United States 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: statements relating to the benefits and synergies created by the acquisitions of Urbn Leaf and Loudpack, including with respect to revenue, production capabilities, product offering and expectations of future profitability; StateHouse's brands and retail footprint, manufacturing, distribution and cultivation capabilities; the ability of Harborside, Urbn Leaf and Loudpack to successfully integrate their operations; StateHouse's ability to drive margin expansion; market expansion efforts and the ability of the Company to capture additional market share; the ability of the Company to complete additional acquisitions; the outlook of the Company and expectations of future growth; the increase in shareholder value as a result of the transactions contemplated hereunder; the Company's plans and ability to complete the Name Change and Consolidation within anticipated timeframes, if at all; trading of the SVS under the StateHouse name on a post-Consolidation basis following the Name Change and Consolidation within anticipated timeframes, if at all; and the impact of the Consolidation Ratio on the trading price of the SVS following completion of the Name Change and Consolidation.

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 ongoing 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 and acquisitions; political and social 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 discussion and analysis for the period ended September 30, 2021 and the Company's annual information form dated December 13, 2021, 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 United States 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 United States 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, any securities in the United States. The Company's securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration 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.

¹ This is forward-looking information and based on a number of assumptions. See "Cautionary Note Regarding Forward-Looking Information".

² Through the first nine months of 2021, Harborside, on a pro-forma basis including revenue of Sublime for the entire period, had gross revenue of US\$57.8 million, while Urbn Leaf and Loudpack had revenue of US\$45.9 million and US\$61.4 million, respectively. Therefore, on a pro-forma basis, management estimates that StateHouse would have generated gross revenue of approximately US\$165 million for the same period (see footnote 2 below).

³ 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.

⁴ Includes retail locations expected to open by the end of 2022.

⁵ Based on BDS Analytics for sales in 2021, with brand house being a company with a portfolio of more than one brand. Kingpen pre-roll ranking measured for the last six months of 2021.

⁶ 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.

⁷ Includes 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.

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