

FORM 51-102F3
MATERIAL CHANGE REPORT

ITEM 1 **Name and Address of Company**

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

ITEM 2 **Date of Material Change**

March 31, 2022

ITEM 3 **News Release**

A news release announcing the material change was disseminated by the Company on March 31, 2022 through CNW and subsequently filed on SEDAR, a copy of which is attached as Schedule “A”.

ITEM 4 **Summary of Material Change**

On March 31, 2022, the Company completed the mandatory conversion of all issued and outstanding multiple voting shares (the “**Multiple Voting Shares**”) of the Company to subordinate voting shares (the “**Subordinate Voting Shares**”) of the Company, all in accordance with the articles of the Company, and as approved by its board (the “**Board**”), and shareholders of the Company at the special meeting of shareholders held on February 22, 2022.

ITEM 5 **Full Description of Material Change**

On March 31, 2022 (the “**Mandatory Conversion Record Date**”), the Company completed the mandatory conversion of all of the issued and outstanding Multiple Voting Shares to Subordinate Voting Shares, as approved by the Board and shareholders of the Company at the special meeting of shareholders held on February 22, 2022, all in accordance with the articles of the Company (the “**Mandatory Conversion**”). On the Mandatory Conversion Record Date, all of the issued and outstanding Multiple Voting Shares were automatically, without any action on the part of the holders of Multiple Voting Shares, converted into Subordinate Voting Shares on the basis of one (1) Multiple Voting Share for one hundred (100) Subordinate Voting Shares, and in the case of fractions of Multiple Voting Shares, such number of Subordinate Voting Shares as is determined by multiplying the fraction by one hundred (100). In addition, all warrants previously exercisable into Multiple Voting Shares are now exercisable into Subordinate Voting Shares.

Following the Mandatory Conversion, there will be no Multiple Voting Shares issued and outstanding and the Company will only have one class of shares issued and outstanding, being the Subordinate Voting Shares.

As a result of the Mandatory Conversion, the Company will no longer meet the definition of "foreign private issuer" under U.S. securities laws and will be required to register

under the Securities Exchange Act of 1934, as amended. Accordingly, the Company will eventually be subject to the U.S. Securities and Exchange Commission's ("SEC") reporting requirements applicable to U.S. domestic companies. The SEC's reporting requirements require, among other things, Harborside's financial statements and financial data to be presented under U.S. GAAP.

ITEM 6 **Reliance on Subsection 7.1(2) or (3) 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**

April 6, 2022

SCHEDULE "A"



Harborside Inc. Announces Completion of Mandatory Conversion of all Multiple Voting Shares to Subordinate Voting Shares -

OAKLAND, California and TORONTO, Ontario, March 31, 2022 - Harborside Inc. ("Harborside", or the "Company") (CSE: HBOR), (OTCQX: HBORF), a California-focused, vertically-integrated cannabis enterprise, is pleased to announce that it has completed the mandatory conversion of all of its issued and outstanding multiple voting shares (the "MVS") to subordinate voting shares (the "SVS") (the "Mandatory Conversion"). The Mandatory Conversion will result in each holder of MVS being entitled to 100 SVS for each MVS it holds. In addition, all warrants previously exercisable into MVS are now exercisable into SVS. The Mandatory Conversion was approved at the Special Meeting of Shareholders held February 22, 2022.

"The completion of the Mandatory Conversion represents an important milestone for the Company, as we prepare to relaunch as StateHouse Holdings," said Ed Schmults, CEO of Harborside. "Our shareholders strongly indicated their views that the Company should have only one class of shares outstanding and we are pleased to have accomplished this objective, which is also expected to increase trading liquidity and make our shares increasingly attractive to the investment community."

As a result of the Mandatory Conversion, the Company will no longer meet the definition of "foreign private issuer" under U.S. securities laws and will be required to register under the Securities Exchange Act of 1934, as amended. Accordingly, the Company will eventually be subject to the U.S. Securities and Exchange Commission's ("SEC") reporting requirements applicable to U.S. domestic companies. The SEC's reporting requirements require, among other things, Harborside's financial statements and financial data to be presented under U.S. GAAP.

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 an integrated cultivation/production facility in Salinas, California. Harborside is a publicly listed company, 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. Additional information regarding Harborside is available under Harborside's SEDAR profile at 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 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 increased trading liquidity due to the Mandatory Conversion, and the impact of the Mandatory Conversion on the Company's reporting requirements under U.S. securities laws.

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: whether the Company will receive additional voting support agreements for matters to be considered by shareholders at the Meeting; 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 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 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.

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