StateHouse Announces Filing of Corrective Disclosure Pursuant to OSC Review

SAN DIEGO, CA and TORONTO, ON / February 8, 2023 / StateHouse Holdings Inc. ("**StateHouse**" or the "**Company**") (CSE:STHZ) (OTCQX:STHZF), a California-focused, vertically integrated cannabis enterprise, today announced that is has filed corrective disclosure pursuant to a review (the "**Review**") by the Ontario Securities Commission (the "**OSC**") of the Company's continuous disclosure. In connection with the Review, the Company has determined that certain material contracts (the "**Documents**") were not filed within a timely manner due to an oversight by the Company (the "**Non-Filing**"). The Company has since remedied the Non-Filing by filing the Documents on SEDAR on December 23, 2022. The Documents are summarized below:

- **Term Loan:** On February 10, 2022, the Company entered into a loan and security agreement with Pelorus Fund REIT, LLC ("**Pelorus**") for a total of approximately $77,300,000 of debt financing (the "**Term Loan**"). The Term Loan was funded in two tranches, with the first tranche occurring prior to closing on the acquisitions of UL Holdings Inc. ("**Urbn Leaf**") and LPF JV Corporation ("**Loudpack**"), and the second tranche occurring after the acquisition of Loudpack. The first tranche was funded in three separate loans, with a loan to each of the Company, Urbn Leaf and Loudpack. The Company received approximately $15,500,000, Urbn Leaf received approximately $13,500,000 and Loudpack received approximately $16,400,000 of the aggregate funds under the first tranche. On April 8, 2022, the Company received approximately $31,950,000 from the second tranche. The Term Loan contains an interest rate of 10.25% and requires monthly interest payments until the maturity date. The Company is obligated to make principal payments in the amount of 7.5% of the then outstanding balance on both the 36th and 48th payment dates. The remaining principal is due on the maturity date of February 10, 2027.
- **Supplement Agreement:** In connection with the acquisition of Loudpack, the Company assumed certain senior carryover notes (the "**Senior Carryover Notes**") and junior carryover notes (the "**Junior Carryover Notes**", and together with the Senior Carryover Notes, the "**Carryover Notes**"). The Carryover Notes were the result of an amended and restated master debenture supplement agreement (the "**Supplement Agreement**") entered into by Loudpack on April 4, 2022. The Supplement Agreement amended and restated the original agreement for the existing debentures that remained outstanding. The principal amount is $17,000,000 for the Senior Carryover Notes and $8,000,000 for the Junior Carryover Notes. The Carryover Notes bear interest at 9%. Interest and principal are due on the maturity date of April 4, 2025.
- **Senior Secured Debt:** On July 23, 2021, Urbn Leaf entered into a loan (the "**Senior Secured Debt**") in the amount of $5,200,000 with, among others, Cresco Capital Partners II, LLC and Seventh Avenue Investments, LLC. The Senior Secured Debt has been amended and matures on January 21, 2023, at which time all outstanding principal plus an additional fee of $2,079,000 is due. Monthly payments are interest only with a variable interest rate equal to the greater of 12.5% or the prime rate plus 9%. As at September 30, 2022, the interest rate was 13.0%. The loan is secured by certain

collateral, specified under a credit and guaranty agreement dated December 21, 2021, in respect of the loan.

- **IRS Agreement:** On November 29, 2018, the U.S. Tax Court (the "**Tax Court**") issued an adverse decision against Patients Mutual Assistance Collective Corporation ("**PMACC**"), a subsidiary of the Company. The Tax Court determined that PMACC's total liability was $11,013,237 plus accrued interest. In December 2019, PMACC appealed the Tax Court's decision; however, the decision was affirmed on April 22, 2021. On July 28, 2022, the Company entered into a partial payment and installment agreement (the "**IRS Agreement**") with the Internal Revenue Service (the "**IRS**") for PMACC's corporate tax returns for the fiscal years ended July 31, 2007 through July 31, 2012, and the year ended December 31, 2020. Pursuant to the IRS Agreement, the Company has agreed to pay $5,800,000, which will be paid through monthly installments of $50,000 over an expected period of 116 months, beginning in August 2022. The monthly payment amount is subject to IRS review every two years. With each review, the payments may adjust up or down depending on PMACC's ability to pay at that time.

In addition, in the Company's Annual Information Form dated November 14, 2022 (the "**AIF**"), the ACS Agreements (as defined below) were listed as "material contracts" for the purposes of National Instrument 51-102 - Continuous Disclosure Obligations ("**NI 51-102**"). The Company has determined that the ACS Agreements were improperly characterized in the AIF and are not "material contracts" for the purposes of NI 51-102. As a result, the ACS Agreements will not be filed on SEDAR. The ACS Agreements are summarized below:

- **ACS Agreements:** On November 1, 2019, and February 27, 2022, Loudpack entered into certain secured promissory notes (collectively, the "**ACS Agreements**"). The November 1, 2019 note was for $1,100,065, payable over 60 monthly installments of $24,749 beginning on or before December 1, 2019 until the principal and interest have been paid in full. Any unpaid principal and interest are due and payable on December 1, 2024. The February 27, 2022 note was for $276,650, payable over 60 monthly installments of $6,213 beginning on or before March 1, 2020 until the principal and interest have been paid in full. Any unpaid principal and interest are due and payable on March 1, 2025. The ACS Agreements were assumed as part of the acquisition of Loudpack and bear interest at a rate of 12.5%.

In accordance with OSC Staff Notice 51-711 (Revised) Refilings and Corrections of Errors ("**Notice 51-711**"), with the exception of the ACS Agreements, the Company has filed the Documents on SEDAR for purposes of making corrective disclosure due to previous inadvertent exclusions from the Company's continuous disclosure materials.

As a result of the filing of this disclosure, the Company will be placed on the public list of Refiling and Errors in accordance with Notice 51-711.

In accordance with OSC Staff Notice 51-731 Corporate Finance Branch 2020 Annual Report and CSA Staff Notice 51-357 Staff Review of Reporting Issuers in the Cannabis Industry, the Issuer notes that it is not substantially dependent on any one license to cultivate or sell cannabis. As a result, the Issuer does not consider any of its licenses to be "material contracts" for the purposes of NI 51-102. The Issuer will assess the materiality of its licenses on an ongoing basis, and will include disclosure of such assessment in its prospective continuous disclosure filings.

About StateHouse:

StateHouse, 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, its predecessor company Harborside was awarded one of the first six medical cannabis licenses granted in the United States. Today, the Company operates 14 dispensaries covering Northern and Southern California and one in Oregon, and cultivation and production facilities in Salinas and Greenfield, California. StateHouse is a publicly listed company, currently trading on the Canadian Securities Exchange under the ticker symbol "STHZ" and the OTCQX under the ticker symbol "STHZF". 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. To the extent any forward-looking information in this news release constitutes "financial outlooks" 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. 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 payment by the Company of amounts owing pursuant to the Term Loan, the Supplement Agreement, the Senior Secured Debt, the IRS Agreement and the ACS Agreements, as well as the Company's ability to make such payments in a timely manner, or at all.

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 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's discussion and analysis for the period ended September 30, 2022 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 directly 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 United States 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.

For further information:

StateHouse Holdings Inc.,
Ed Schmults, CEO,
or
Angela Pih
Head of Marketing
800-892-4209

Investor Contact:
MATTIO Communications
Rob Kelly
statehouse@mattio.com

SOURCE: StateHouse Holdings Inc