

StateHouse Revises Debt Obligations

Capital Infusion Provides Financial Flexibility as the Company Executes its Long-Term Profitability Plan

Series A Term Loan Maturity Date is Extended to February 10, 2027

SAN DIEGO and TORONTO, Aug. 01, 2023 -- [StateHouse Holdings Inc.](#) ("StateHouse" or the "Company") (CSE: STHZ) (OTCQX: STHZF), a California-focused, vertically integrated cannabis enterprise, today announced that it has entered into an agreement with Pelorus Equity Group ("Pelorus") as Administrative Agent and Collateral Agent to the Credit and Guaranty Agreement, dated as of December 21, 2020, as amended (the "Series A Loan Agreement"), to extend the repayment date of the Series A Loan Agreement to February 10, 2027 and increase the amount of the Series A Loan (the "Debt Modification Agreement"). Pursuant to the terms of the Debt Modification Agreement, Pelorus is providing an incremental term loan of \$7.521 million, to bring the total principal amount of the Series A Loan Agreement to \$15.0 million. The Company will use the funds for repayment of the Series A indebtedness, servicing the Company's other debts to Pelorus, including any interest owing thereon, and payment of property taxes.

"We are very pleased to have secured the modification of our existing debt obligations, as well as additional funding to strengthen our financial position as we execute our growth strategy," said Ed Schmults, Chief Executive Officer of StateHouse. "We have achieved significant progress in 2023 and we are grateful for the valued partnership we have developed with Pelorus. The confidence they have placed in us with this modification has been instrumental in providing us with the financial flexibility to manage and improve our balance sheet to execute on our long-term growth plan to position ourselves at the forefront of the California cannabis landscape and achieve future profitability."

Mr. Schmults added, "Throughout the remainder of the year and into 2024, we are focused on three main areas of our business: cultivation, branded sales and manufacturing, and retail. Since the beginning of our integration, we have seen consistent improvements in our cultivation and recent harvests have been strong, which we expect to continue. We continue to introduce new customers to our sales platform, and the branded sale operations have been performing well in line with our expectations, and we anticipate bringing on additional new brands in the coming months. Our innovation and drive to deliver quality products at reasonable prices is resonating with consumers and we have seen incredibly positive responses to recent product launches as well as our TOPS loyalty program."

Pursuant to the terms of the Debt Modification Agreement, the Pelorus Loan will bear an interest rate of one month Secured Overnight Financing Rate ("SOFR"), plus 12.5%, with a SOFR floor of 4.5%. The Pelorus Loan remains subject to certain debt service ratio requirements, interest reserves, certain cross-corporate guarantees and defaults, subordination agreements and intercreditor agreements, along with a general corporate guaranty from the Company. In accordance with the terms of the Debt Modification Agreement the debt service coverage ratio measurement date will be extended to July 2024.

As consideration for providing the Pelorus Loan, the Company has agreed to grant to Pelorus 136,258,279 warrants of the Company, amounting to 40% of the Pelorus Loan (the "Pelorus Warrants"). The Pelorus Warrants are exercisable, for a period of three years, into common shares of the Company. Pelorus will have the right to a cashless exercise of the Pelorus Warrants. The exercise price of the Pelorus Warrants is adjustable on a weighted-average dilution basis. The distribution of assets or dividends will only be provided to Pelorus upon exercise of the Pelorus Warrants. Pelorus will be prohibited from exercising the Pelorus Warrants if, upon exercise, Pelorus would beneficially own greater than 9.99% of the outstanding common shares of the Company. The Pelorus Warrants cannot be transferred to another party without the consent of the Company, unless the transfer is to an affiliate of Pelorus or the Company is found to be in default of the Pelorus Loan.

The holder of the Pelorus Warrants has also been granted a put option, so long as the Pelorus Warrants have not been exercised, to sell the Pelorus Warrants to the Company at a thirty percent (30%) discount to their then current exercise price, exercisable via written notice to the Company at least fifteen (15) days prior to the prepayment or maturity date of the Pelorus Loan. If the holder of the Pelorus Warrants fails to exercise this put option during such time period, the put option is deemed void ab initio.

About StateHouse Holdings Inc.

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, distribution facilities in San Jose and Los Angeles, California and integrated cultivation/production facilities in Salinas and Greenfield, California. StateHouse is a publicly listed company, currently trading on the Canadian Securities Exchange ("CSE") 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 Company's intended use of the proceeds from the Pelorus Loan, the Company's ability to repay the Series A Indebtedness by the Extension Date, the Company's ability to execute on its long-term growth plan and the exercise by Pelorus of the Pelorus Warrants.

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 year ended December 31, 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.

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.

For the latest news, activities, and media coverage, please visit <https://www.statehouseholdings.com>, <https://shopharborside.com> and <https://urbanleaf.com> and connect with us on LinkedIn and Twitter.

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Guarantors other than StateHouse, the Administrative Agents and Seventh Avenue Investments, LLC ("SAI"), as predecessor in interest to Pelorus as Administrative Agent and Collateral Agent, are parties to the Credit and Guaranty Agreement, dated as of December 21, 2020, as amended by that certain Limited Waiver and Amendment to Credit and Guaranty Agreement dated as of March 1, 2022, and as further amended by that certain Omnibus Amendment of Loan Documents dated as of December 21, 2022 (the "First Omnibus Amendment") and that certain Second Omnibus Amendment of Loan Documents dated as of January 20, 2023 (the "Second Omnibus Amendment"), that certain Third Omnibus Amendment of Loan Documents dated as of February 28, 2023 (the "Third Omnibus Amendment"), that certain Fourth Omnibus Amendment of Loan Documents dated as of April 20, 2023 (the "Fourth Omnibus Amendment"), that certain Fifth Omnibus Amendment of Loan Documents dated as of May 19, 2023 (the "Fifth Omnibus Amendment"), that certain Sixth Omnibus Amendment of Loan Documents dated as of June 5, 2023 (the "Sixth Omnibus Amendment"), that certain Seventh Omnibus Amendment of Loan Documents dated as of June 19, 2023 (the "Seventh Omnibus Amendment"), that certain Eighth Omnibus Amendment of Loan Documents dated as of July 3, 2021 (the "Eighth Omnibus Amendment") and that certain Ninth Omnibus Amendment of Loan Documents dated as of July 17, 2023 (the "Ninth Omnibus Amendment") (as so amended, the "Series A Loan Agreement").

B. After giving effect to the First Omnibus Amendment, the total principal amount of Term Loans outstanding on the date of this Agreement is \$7,479,000.00, the full amount of which remains unpaid and outstanding as of the date hereof.

C. StateHouse executed that certain Guaranty of Payment and Performance, dated as of March 1, 2022, to and for the benefit of SAI, as predecessor in interest to Pelorus as Administrative Agent and Collateral Agent for the Administrative Agents in respect of the Series A Loan Agreement and the obligations thereunder (the "StateHouse Guaranty").

D. The Borrowers have requested the Lenders to make an Incremental Term Loan (the "Incremental Term Loan") of Seven Million Five Hundred Twenty One Thousand and 00/100 Dollars (\$7,521,000.00) (the "First Incremental Term Loan Amount"), to bring the total principal amount of all Term Loans to Fifteen Million and 00/100 Dollars (\$15,000,000.00), in accordance with Section 2.17 of the Series A Loan Agreement and this Omnibus Amendment, and Pelorus, in its capacity as a Lender, has agreed to make the First Incremental Term Loan.

E. As set forth in the Fourth Omnibus Amendment, SAI assigned to Pelorus all of its right, title and interest as Administrative Agent and Collateral Agent, and SAI and the other Lenders assigned portions of their interests in the Loan to Pelorus.

F. As an accommodation to the Borrowers, Administrative Agent, Collateral Agent and the Lenders have agreed, without prejudice to or waiver of any rights or remedies they may have to any Defaults or Events of Default that may now exist, or that may in the future occur, under the Loan Documents, and without establishing any course of conduct or waiver with respect to the requirement for repayment of the Initial Term Loans on the extended maturity date agreed to pursuant to this Agreement, to make the First Incremental Term Loan and amend the Loan Documents as more particularly set forth herein.