

FORM 51-102F3
MATERIAL CHANGE REPORT

Item 1 **Name and Address of Company**

StateHouse Holdings Inc. (the “**Company**”)
8939 La Mesa Boulevard, Suite 2
La Mesa, California
91942

Item 2 **Date of Material Change**

July 31, 2023

Item 3 **News Release**

A news release announcing the material change described below was disseminated by the Company on August 1, 2023 through GlobeNewswire and subsequently filed on the System for Electronic Document Analysis and Retrieval under the Company’s issuer profile at www.sedarplus.ca.

Item 4 **Summary of Material Change**

On July 31, 2023, the Company 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 “**Pelorus Loan**”). 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.

Item 5 **Full Description of Material Change**

On July 31, 2023, the Company entered into the Debt Modification Agreement with Pelorus. 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.

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 30% discount to their then current exercise price, exercisable via written notice to the Company at least 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.

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**

Ed Schmults, Chief Executive Officer, 1-800-892-4209

Item 9 **Date of Report**

August 8, 2023

Cautionary Note Regarding 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 and United States securities legislation. To the extent any forward -looking information in this material change report 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 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, statements relating to the Company’s intended use of the proceeds from the Pelorus Loan.

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 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.