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Golden Leaf Holdings favorably restructures deal terms with Tahoe Hydroponics

PORTLAND, Ore., Dec. 03, 2018 (GLOBE NEWSWIRE) -- [Golden Leaf Holdings Ltd.](#) ("Golden Leaf" or the "Company") (CSE:GLH) (OTCQB:GLDFF), a cannabis company with cultivation, production and retail operations built around recognized brands, today announced that it has favorably restructured the deal terms in its definitive agreement with Tahoe Hydroponics Company and 11T Corp. (collectively "Tahoe"). The deal was originally announced on August 13, 2018.

Under the terms of the revised agreement, Golden Leaf will acquire all Nevada and California assets of Tahoe for a consideration of approximately C\$33 million (US\$25 million), consisting of approximately C\$5.3 million (US\$4 million) in cash at closing, and the balance in Golden Leaf stock as outlined in detail below. The original agreement had a total consideration of approximately C\$52.4M, consisting of approximately C\$11.1 million (US\$8.5 million) in cash at closing plus that number of shares that equated to a value of C\$41.3 million based on Golden Leaf's 20-day VWAP of C\$0.2050 for the period ending August 10, 2018. Details of the stock component of the revised agreement is as follows:

- Issuance of that number of shares of Golden Leaf Holdings common stock equivalent to approximately C\$16.2 million (US\$12.3 million) calculated using the Company's 60-day volume weighted average stock price immediately prior to November 20th, 2018, payable within 10 calendar days of the completion of Tahoe's audited financial statements;
- Issuance of that number of shares of Golden Leaf Holdings common stock based on a two-part earn-out provision (the "Earn Out"), in equal parts, of approximately C\$11.5 million (US\$8.7 million). The first earn-out component will be paid out upon Tahoe achieving their forecasted revenues and net income for the fourth quarter of 2018 and the first two quarters of 2019. The second earn-out component will be paid out upon Tahoe achieving their forecasted revenue and net income for the third and fourth quarters of 2019. In the event either one or both earn-out targets are not met, a sliding scale applies down to a pre-determined threshold, with a catch-up opportunity measured as far out as December 31, 2020. If actual performance is below the minimum pre-determined thresholds, no earn-out will be paid. If actual performance exceeds the pre-determined thresholds, a maximum of an additional C\$2.17 million (US\$1.65 million) per earn-out component could be achieved.
- Monthly earn-out payments of approximately C\$108,000 (US\$82,150) based on production of a minimum of one hundred finished pounds of production payable within five (5) days of the end of each calendar month following closing until such time as the aggregate monthly production earn-out payments made by GLH equal approximately C\$1,650,000 (US\$1,257,000).
- The purchase price for any consideration paid by GLH for the acquisition of 11T in California shall reduce the abovementioned purchase price on a pro rata basis.

Regulatory approval is in its final stages, and the Company expects to receive such approval shortly, with a view to being able to fully close on the transaction before the end of 2018.

"Over the past few months as we were working through several regulatory requirements needed to close this transaction, the Golden Leaf and Tahoe teams were assessing the longer-term market dynamics in Nevada, and new indications surfaced that could impact the rate of commoditization for cultivation. To adjust for that, we restructured the definitive agreement to allow for those indications. For example, we added some variability into the deal that gives the Tahoe team the opportunity to earn a targeted value, while also providing incentive for upside as well as mitigating any downside risk beyond the targeted value. The willingness of the team at Tahoe to work with us through this process is a testament to their professionalism, and recognition of the bigger picture beyond just doing a deal," said William Simpson, Chief Executive Officer. "The addition of Tahoe to the Golden team is not only about adding a premium cultivation operation that is cash-flow positive, it's about being able to achieve stronger retail margins as we open retail locations in Nevada and California. This is consistent with our strategic goal associated with vertical integration," added William.

Ray Schiavone, CEO of Tahoe Hydroponics Corporation, commented, "In spite of an increasingly competitive landscape, our current customers are important to us and will continue to be. Notwithstanding that, we see the value proposition of being part of a vertically integrated business. GLH's strategy to expand its retail presence in Nevada and California creates an opportunity for even more shareholder value when approvals start rolling in. We are committed to long-term value creation and fulfilling an important role in GLH's west coast strategy. Together we create a formidable team, and we are delighted to participate in striving to achieve the highly sought-after aspirations set for this industry. GLH has some revolutionary things they are working on, and we are glad to be part of that amazing story."

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About Golden Leaf Holdings

Golden Leaf Holdings Ltd. is a Canadian company with operations in multiple jurisdictions including Oregon, Nevada and Canada, with cultivation, production and retail operations built around recognized brands. Golden Leaf distributes its products through its branded Chalice Farms retail dispensaries, as well as through third-party dispensaries. Golden Leaf's cannabis retail operations and products are designed with the customer in mind, focused on superlative in-store experience and quality products. Visit goldenleafholdings.com to learn more.

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