

# Silo Wellness Announces Subsidiary's Branding Licensing Agreement Terminated

Toronto, Ontario--(Newsfile Corp. - October 26, 2022) - Silo Wellness Inc. (CSE: SILO) (OTCQB: SILFF) (FSE: 3K7A) ("Silo Wellness" or the "Company"), announced that its wholly-owned subsidiary SW Holdings, Inc.'s ("SWHI") License Agreement with Marley Green, LLC ("Licensor") dated November 20, 2020, has been terminated as of October 24, 2022, by the licensor due to SWHI's failure to pay its guaranteed minimum royalties of USD\$600,000 that were due and owing as of August 15, 2022, and for failure to obtain relevant insurance coverage minimums of USD\$10 million.

On November 20, 2020, the Company executed a definitive License Agreement with Licensor effective through July 31, 2025, with an automatic renewal if minimum net sales were met, and licensee was not otherwise in material breach. The License Agreement was intended to provide recognizable branding for functional mushroom products as well as psilocybin microdosing products to be launched. The License Agreement permitted the use of the name of the branding partner for products including psychedelic, medical or nutraceutical functional mushrooms in territories where such products are permitted by law. The License Agreement set forth terms to pay the Licensor royalties of 10% of net sales of licensed products, including guaranteed minimum royalties in the form of the GMR Payments during the term of the agreement. The guaranteed minimum royalties of \$500,000 in year 1 (ended July 31, 2021), \$600,000 in year 2, \$750,000 in year 3, \$900,000 in year 4 and \$1,000,000 in year 5, for a total of \$2,650,000 of GMRs remaining due by SWHI under the Licensing Agreement. The Licensor has a duty to mitigate its damages and SWHI intends to assist in that by referring its product development leads to the Licensor.

As announced in prior Management Discussion and Analysis (MD&A) filings on SEDAR, Silo has been unable to satisfy the additional licensing payments and remained in default. Upon announcement of the Licensing Agreement on March 11, 2021, CAD\$634,476 was deployed out of the CAD\$640,000 estimated as an advance royalty payment of USD\$500,000. This payment satisfied the guaranteed minimum royalties payment in year 1 of the royalty agreement. Sales did not meet projections and no additional royalties were paid. As previously disclosed, there was an initial delay in the launch of the brand attributable to satisfying the requirements of the Licensor with respect to product development, brand creation and marketing approvals.

The Company also previously disclosed that it ceased additional functional mushroom product development given the contracted royalty fees to the Licensor and slim margins for many products, and management considered the functional mushroom market too saturated and costs too high to adequately compete with a risky and unknown rate of return if such resources were deployed. The Company also previously disclosed that the Company intended to announce and launch a microdosing psilocybin mushroom product line in Jamaica by the end of 2021 but was unable to secure product liability insurance that covered psychedelic mushrooms, as that was a contractual requirement in the licensing agreement. The Company may launch and offer the products under a different Company brand only in jurisdictions where they would be legal if time and resources permit. Also, as previously disclosed, with the US\$3 million national distribution agreement with Texas-based distribution and advertising company One Light Enterprises LLC, the Company expected to have enough funds from product sales to pay the remaining guarantee minimum royalty payments. However, as previously disclosed, that contract expired with no revenue received. In addition, the Company previously disclosed that it stopped looking for other distribution agreements for the licensed products given the status of the outstanding licensing fees that were described above.

As stated in previous filings, the Company began attempts to renegotiate the contract in April, and such negotiations continued but were ultimately unproductive. With sales not meeting the expectations that were set forth in the other previously announced distribution contracts, the licensing contract had remained a liability due to expenses far exceeding projected revenue. As mentioned in the previous

MD&As, the goal of the Company was to amend the contract to defer payments out of future sales of licensed products in order to conserve cash to be used for inventory and marketing, or, alternatively, to terminate the contract and negotiate a payment plan for the remaining balance. The Company made several proposals to the Licensor to put funds to marketing and inventory rather than upfront royalty expenses, which was rejected by the Licensor. The Company previously disclosed that it had no interest in continuing the agreement as written unless funds could be used for marketing rather than upfront royalty fees.

It remains the position of the Company that as the functional mushroom market has developed over the last year and a half since listing, with other products expanding and coming into the market, that the Company's resources are best spent with its most unique differentiators: [psychedelic retreats](#) and the [Dyscovry Science](#) opportunities.

## **ABOUT SILO WELLNESS**

Silo Wellness is a growth-oriented holding company focused on psychedelic opportunities that benefit from a unified ecosystem and exceptional leadership. Founded in 2018 in Oregon and headquartered in Toronto, Silo Wellness has a presence in both Jamaica and Oregon. Silo Wellness is a publicly traded company on the Canadian (CSE: SILO) and Frankfurt (FSE: 3K7A) exchanges and trading on the OTCQB Venture Market (OTCQB: SILFF).

For more information about Silo Wellness or to book a Jamaican psychedelic retreat, please visit [www.silowellness.com](http://www.silowellness.com). For more information about Silo's recent acquisition, Dyscovry Science, visit [www.Dyscovry.com](http://www.Dyscovry.com).

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Readers should not place undue reliance on the forward-looking statements and information contained in this news release. Silo Wellness assumes no obligation to update the forward-looking statements of

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