

Cannabis One Holdings Inc. Closes Acquisition of Assets Related to "Honu" Brand from Award-Winning Washington State Infused-Products Manufacturer, Honu Enterprises, Inc.

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VANCOUVER and DENVER, CO, May 6, 2019 /CNW/ - **Cannabis One Holdings Inc. (CSE:CBIS) ("Cannabis One", "CBIS", or the "Company")**, an emerging, premier "House of Brands" in North America, is pleased to announce that, further to the Company's press release dated April 10, 2019, it has completed the acquisition of certain assets of Washington-based Honu Enterprises, Inc. ("**Honu**"), an award-winning, cannabis-infused products brand.

The wide variety of Honu-branded products have been consistent favourites among consumers and are top performers in cannabis industry competitions – Honu was declared *Best Edibles Company* at the 2016 Dope Industry Awards and won the category of *Best Sweet Edible* in Washington State for its "Coconut Snowball" edible at the 2016 Dope Cup. Additionally, a 2016 Marijuana Business Association poll ranked Honu, known for its distinctive styling and signature turtle logo, with the honour of *Best Cannabis Brand Design*. Honu-branded products include industry-leading concentrates, a range of popular edible products, and traditional cannabis dried flower, along with the **Honu Naturals** line of cannabis-infused topicals, which boast a variety of infused creams, lotions, massage oils, bath products, and lip balms.

Jeffery Mascio, CEO of Cannabis One, commented, "CBIS is excited to officially welcome the 'Honu' brand family to Cannabis One, evidencing Cannabis One's continued commitment to aggregating

only those brands truly considered '**Best-of-Breed**'." Mr. Mascio continued, "We believe the addition of the Honu marque to our growing catalogue of IP – which also includes, **INDVR**, **INDVR Fire**, **INDVR Strains**, **Fat Face Farms**, and **The Joint™**, in addition to our licensing agreement with the **Cheech's Private Stash™** brand – ideally positions Cannabis One to capitalize on the continued, growing momentum for cannabis across mainstream America."

Following the closing of the transaction (the "**Closing**"), the Company anticipates that the acquisition of Honu will:

- bolster Cannabis One's current portfolio of infused product brands with the inclusion of this award-winning offering – recently crowned *Best Edible* and *Best Infused Product* at the Colorado THC Cup hosted by Rooster Magazine, and placing the brand among only a select few to have won multi-state awards;
- provide a Honu management-estimated, annualized **US\$20.3 million** in annual system-wide brand revenue through the Honu channel, during fiscal 2019, with an estimated EBITDA margin of between 22% and 31%, assuming the fulfillment of certain purchase order commitments represented from downstream partners; the continued reliability and performance of current supply chain channels for the delivery of input materials; and the successful launch of the Honu brand line in Nevada, Oregon, and California, in addition to the continued expansion of the brand in the states of Washington and Colorado;
- complement the Company's recent announcement, dated April 22, 2019, of its intention to acquire Nevada-based LV 3480 Partners LLC, 3480 Investors Inc., and Agro Finance LLC (collectively, "**Evergreen Organix**"), which collectively will include cannabis cultivation and manufacturing licenses, held by NV 3480 Partners LLC and 3480 Hacienda Partners LLC, respectively (the "**Nevada Cannabis Licenses**"), and related infrastructure, subject to the approval of Nevada State regulators, in addition to the popular flower brand "**Fleur**" and the

award-winning, cannabis-infused product brands, "**Evergreen Organix**" and "**EG.O**", among others; and

- further Cannabis One's vision to become a true multi-state operator for the manufacturing, distribution, and retail penetration of its proprietary brands and products – which the Company believes represent only the highest level of consumer appeal and market reach.

Paul Bohannon, Co-Owner of Honu, who is joining Cannabis One as a Director of Manufacturing, reiterated his earlier comment, "The Honu brand is known throughout Washington State for its innovative and high-quality infused products – joining Cannabis One is a logical next step for us as we look to continue our success into new markets." Mr. Bohannon added, "We anticipate that the addition of 'Honu' to Cannabis One's 'House of Brands', will allow Cannabis One to leverage new opportunities and explore unique product offerings that we believe will excite and delight canna-curious consumers."

Under the terms of the definitive asset purchase agreement (the "**Definitive Agreement**"), the Company's wholly-owned subsidiary acquired certain assets of Honu, inclusive of all intellectual property and certain equipment. In accordance with Washington State regulations and legislation, neither the Company, nor its subsidiary, shall acquire any interest in regulated inventory or licenses related to the cultivation, manufacture, distribution, or sale of cannabis or cannabis-related products in connection with the transaction.

The gross consideration payable to Honu in connection with the transaction will be up to US\$10,280,811 in Class "B" super voting shares in the capital of Cannabis One (the "**CBIS SVS Shares**") due in equal parts upon Closing and subsequently upon the satisfaction of provisions applicable to two (2) earn-out consideration payments (each an "**Earn-Out**").

As per the terms of the Definitive Agreement, on Closing Cannabis One issued to Honu 87,802 CBIS SVS Shares at a per CBIS SVS Share price equal to CDN\$43.3165 (given that each CBIS SVS Share

is convertible into ten (10) Class "A" subordinated voting shares in the capital of Cannabis One (the "**CBIS SUB Shares**") for gross consideration of US\$2,837,952.80 (CDN\$3,803,282.44), which figure includes those funds previously advanced to Honu by Cannabis One or its subsidiaries.

The two (2) Earn-Out consideration payments will each be contingent on reaching certain annual revenue targets (the "**Annual Revenue Targets**") and will each consist of the issuance of up to such number of CBIS SVS Shares as is equal to a value of US\$3,426,937. Each Earn-Out consideration will be payable within thirty (30) days following the audited validation of the applicable Annual Revenue Target. The per CBIS SVS Share price for each Earn-Out will be equal to ten (10) times (given that each CBIS SVS Share is convertible into ten (10) CBIS SUB Shares) the greater of: (a) the maximum discount allowed under the policies of the Canadian Securities Exchange ("**CSE**") to the closing price of the CBIS SUB Shares prior to the date of the execution of the Definitive Agreement and the announcement of the same by CBIS; and (b) the ten (10) day volume-weighted average price of the CBIS SUB Shares on the CSE immediately preceding the closing date of the applicable Earn-Out, converted into United States Dollars using a ten (10) day simple average of the USD/CAD foreign exchange rate for the period immediately preceding the closing of the applicable Earn-Out, as published on www.federalreserve.gov.

All CBIS SVS Shares issued pursuant to the Definitive Agreement will be subject to a contractual lock-up, restricting the transfer of the CBIS SVS Shares (and any CBIS SUB Shares issuable upon conversion of the CBIS SVS Shares) for a total of eighteen (18) months from the date of issuance, during which time 33.33% of the issued CBIS SVS Shares will be released from such lock-up on each six (6) month anniversary of the issuance of the CBIS SVS Shares (the "**Lock-Up**") pursuant to the terms and conditions of a lock-up agreement entered into between Honu and Cannabis One (the "**Lock-Up Agreement**"). The Lock-Up Agreement provides for certain exemptions from such transfer restrictions, provided that such transferred CBIS SVS Shares (and any CBIS SUB Shares issuable upon conversion of the CBIS

SUB Shares) will remain subject to the Lock-Up following such transfer. Additionally, Honu has agreed to grant Cannabis One a sixty (60) day right-of-first-refusal to purchase, or identify a third-party purchaser for, any such CBIS shares intended to be sold by Honu.

About Cannabis One

IF WE BRAND IT, THEY WILL COME – Cannabis One Holdings Inc. (**CSE:CBIS**) is focused on aggregating and optimizing popular cannabis brands throughout North America. With its unique, franchise-ready retail brand, The Joint™, and through targeted acquisition and partnership opportunities, Cannabis One intends to become the premier, globally-recognized, "House of Brands", holding a client portfolio of award-winning products with an extensive market footprint. Through the Company's The Joint™ retail concept, Cannabis One intends to leverage the consumer and brand data harvested from its retail locations to bring data-driven analytics to an emerging, branded industry. For consumers, Cannabis One desires to become the definitive source for unparalleled product selection and renowned service in an otherwise fragmented market.

Disclaimer and Forward-Looking Information

Certain statements contained in this press release constitute forward-looking information. These statements relate to future events or future performance. The use of any of the words "anticipate", "could", "intend", "expect", "believe", "will", "projected", "potential", "estimated" and similar expressions and statements relating to matters that are not historical facts are intended to identify forward-looking information and are based on the parties' current belief or assumptions as to the outcome and timing of such future events. Actual future results may differ materially. These statements are only predictions. Readers are cautioned that the assumptions used in the preparation of such information, although considered reasonable at the time of preparation, may prove to be imprecise and, as such, undue reliance should not be placed on forward-looking statements. Forward looking statements include, but are not limited to: the successful closing of the acquisition of Evergreen Organix and the Nevada Cannabis Licenses;

CBIS realizing the anticipated benefits of the Closing; anticipated Honu management-estimated annualized system-wide brand revenue being realized by fiscal year end 2019, which depends on a number of factors, including, but not limited to: the fulfillment of certain purchase order commitments represented from downstream partners; the continued reliability and performance of current supply chain channels for the delivery of input materials; planned expansion of Honu's operations and product offerings; and the successful launch of the Honu brand line in Nevada, Oregon, and California. The Company assumes no obligation to update forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law.

The forward-looking information contained in this release is made as of the date hereof and the parties are not obligated to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Because of the risks, uncertainties and assumptions contained herein, investors should not place undue reliance on forward looking information. The foregoing statements expressly qualify any forward-looking information contained herein.

To the extent any forward-looking information in this press release constitutes "future-oriented financial information" or "financial outlooks" within the meaning of applicable Canadian securities laws, such information is being provided to demonstrate the anticipated product sales of the Company and the reader is cautioned that this information may not be appropriate for any other purpose and the reader should not place undue reliance on such future-oriented financial information and financial outlooks. Future-oriented financial information and financial outlooks, as with forward-looking information generally, are, without limitation, based on the assumptions and subject to the risks set out above under the heading "Disclaimer and Forward-Looking Information". The Company's actual financial position and results of operations may differ materially from its management's current expectations and, as a result, the Company's actual revenue may differ materially from the prospective

revenue projections provided in this press release. Such information is presented for illustrative purposes only and may not be an indication of the Company's actual financial position or results of operations.

"System-wide brand revenue" and "EBITDA" (earnings before interest, tax, depreciation and amortization) do not have any standardized meaning as prescribed by International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board, and, therefore, are considered non-GAAP measures and may not be comparable to similar measures presented by other issuers. Cannabis One believes the non-GAAP measures of "system-wide brand revenue" and "EBITDA margin", combined with IFRS measures, such as revenue and net loss, are useful measures to its shareholders as management relies on such measures to provide insight into future operations. Readers are cautioned, however, that "system-wide brand revenue" and "EBITDA margin" should not be construed as an alternative to financial measures determined in accordance with GAAP or IFRS as an indicator of the Company's financial performance. Readers are also advised that while Cannabis One realizes certain revenue through long-term service arrangements with its client brands, current state regulatory restrictions and U.S. federal restrictions may prevent Cannabis One from consolidating the financial results of such brands.

Cannabis is legal in certain States in the United States ("U.S."), however cannabis remains illegal under U.S. federal laws. Cannabis One intends to conduct its U.S. cannabis operations in a manner consistent with the applicable State laws and in compliance with regulatory and licensing requirements applicable in the applicable State. However, the readers should be aware that any change in federal guidance on enforcement actions could adversely affect Cannabis One's ability to access private and public capital required in order to support continuing operations and its ability to operate in the U.S.

Unlike in Canada which has Federal legislation uniformly governing the cultivation, distribution, sale and possession of cannabis under the Cannabis Act (Federal), readers are cautioned that in the U.S.,

cannabis is largely regulated at the State level. To the knowledge of Cannabis One, there are to date a total of 33 states, plus the District of Columbia, that have legalized cannabis in some form.

Notwithstanding the permissive regulatory environment of medical cannabis at the State level, cannabis continues to be categorized as a controlled substance under the Controlled Substances Act in the U.S. and as such, cannabis-related practices or activities, including without limitation, the manufacture, importation, possession, use or distribution of cannabis are illegal under U.S. Federal law. Strict compliance with State laws with respect to cannabis will neither absolve Cannabis One of liability under the U.S. Federal law, nor will it provide a defense to any Federal proceeding, which may be brought against Cannabis One. Any such proceedings brought against Cannabis One may materially adversely affect its operations and financial performance in the U.S. market.

*This press release is not an offer of the securities for sale in the United States. The securities may not be offered or sold in the United States absent registration or an available exemption from the registration requirements of the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**") and applicable U.S. state securities laws. The Company will not make any public offering of the securities in the United States. The securities have not been and will not be registered under the U.S. Securities Act.*

This press release shall not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation or sale would be unlawful.

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