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## **GABY Inc. to Merge with Mankind Dispensary in a Transformational Transaction and Launches Equity Financing**

*Establishes a Strong Retail Platform  
Focuses Future Growth on Retail and Brands*

SANTA ROSA, CA / ACCESSWIRE / December 3, 2020 / GABY Inc. ("**GABY**" or the "**Company**") (CSE: **GABY**) (OTCQB: **GABLF**), a California based cannabis and consumer products company is redefining the future of cannabis retail. GABY is pleased to announce: (i) the merger (the "**Merger**") with Miramar Professional Services, which operates the Mankind Dispensary ("**Mankind**"), one of the oldest licensed dispensaries in California; and (ii) a brokered best-efforts agency basis, private placement (the "**Private Placement**") led by Mackie Research Capital Corporation of up to an aggregate of C\$11.0 million (collectively, the "**Transaction**").

"We are always looking for ways to build shareholder value and strengthen the foundation of our business," said Margot Micallef, Founder, President and CEO of GABY. "Given my extensive experience in building consumer facing companies, moving into cannabis retail is a logical next step for GABY and for our brands. The merger with Mankind will form the foundation for GABY's retail expansion strategy," she continued. "This transaction marks the joining of two pioneering California companies, adding a critical retail component to our manufacturing and distribution operation and augments our product strategy. We are proud to be welcoming the Mankind executive team into the GABY fold."

"The team at Mankind is excited to be joining the GABY team as we prepare for a significant state-wide expansion in retail and consumer products," said James Schmachtenberger, Co-founder of Mankind. "With the experience and talent of our two teams coming together I'm confident we will be able to build a state-wide retail chain with an unparalleled customer experience and be able to drive increased value for our shareholders in so doing."

Mr. Schmachtenberger continued: "I'd like to thank my co-founders Ebon Johnson, Courtney Bernard, Duane Bernard, Dana Gagnon and Ken Hanaoka for their vision, partnership and support these last 6 years. The combined experience and skills brought by this team have been instrumental in the success we've seen as an organization. It has been an honor to walk this journey with you all."

### **Proposed Transaction**

GABY has entered into an exclusive non-binding letter of intent (the "**LOI**") with Mankind, pursuant to which the parties are expected to execute a definitive transaction agreement (the "**Definitive Agreement**"). The Definitive Agreement is expected to provide for the merger of GABY with Mankind through the acquisition of all of the equity securities of Mankind for total

consideration of US\$36.5 million, subject to adjustment in accordance with the Definitive Agreement. The consideration will be satisfied through: (i) the issuance of an aggregate of 157,894,737 common shares of GABY ("**GABY Shares**") at a deemed price of C\$0.05 per GABY Share; (ii) the payment of US\$5.0 million in cash; and (iii) the issuance of a secured non-convertible promissory note for US\$25.5 million (the "**Note**"). The Note will have a term of 84-months, an annual coupon of 10% with balloon payments every 24-months of US\$5.0 million and the final balloon payment of \$10.5 million at the end of month 84. Pursuant to the LOI, Mankind has agreed to deal exclusively with GABY with regard to the Merger. Completion of the Merger will be subject to customary closing conditions to be set forth in the Definitive Agreement. It is anticipated that Merger will close on or about January 18, 2021 (the "**Merger Closing Date**").

"We are excited to show our continued support for GABY's strategy of disciplined organic growth and strategic acquisitions. In particular, the acquisition of Mankind is value accretive to GABY's shareholders and the Company is well positioned to realize value for shareholders through the expansion into the cannabis retail channel," said Matt Bartlett, Senior Operating Partner at Merida Capital Holdings.

### **Highlights of The Transaction**

The terms of the Merger are accretive to GABY and will establish a foundation, and strong base of cash flow, from which GABY will build a dominant California retail brand.

- *GABY Brand Leadership*: The GABY team has the track record and ability to quickly amass a significant presence in the California retail market, along with the necessary expertise to integrate, rebrand and incorporate efficiencies across a retail platform.
- *Mankind Brand Leadership*: GABY will be positioned with a best in class asset along with a management team composed of highly successful and experienced professionals in retail consolidation, California cannabis retail operations and cannabis branding.
- *California Focused Strategy*: GABY reiterates its commitment to stay solely focused on California, and believes it to be the market best suited for cannabis retail investment. California is the largest, most influential, and most established cannabis market in the world, with no dominant retail dispensary brand in the state having more than a 4% market share of an estimated market of \$3.5 billion.
- *GABY Market Value*: The Transaction will create an operationally self-sustaining profitable company generating free cash flow. Upon completion of the Transaction, GABY presents a strong value proposition. Based on the pricing of the Private Placement, the pro forma valuation of GABY is approximately 1.4x 2021E Pro Forma Revenue<sup>1</sup> and 7.0x 2021E Pro Forma Adjusted EBITDA<sup>1</sup>, substantially below similar market comparables.
- *Mankind Market Value*: Mankind generated revenue of C\$36.4 million [Unaudited] and Adjusted EBITDA<sup>1</sup> [Unaudited] of C\$4.8 million in 2019. It is expected that Mankind

will generate approximately C\$37.5 million in revenue and approximately C\$7.2 million in Adjusted EBITDA<sup>1</sup> in 2020<sup>2</sup>.

- *2021 Pro forma GABY:* 2021, GABY is expected to generate between C\$45 and C\$50 million in Pro Forma Revenue<sup>1</sup> and C\$9 to C\$10 million in Pro Forma EBITDA<sup>1,3</sup>.

Following completion of the Merger, James Schmachtenberger, Co-founder and Chief Executive Officer of Mankind will become Chief Strategy Officer of GABY and will join the GABY board of directors. The senior management team of Mankind will join the senior management team of GABY.

Stikeman Elliott LLP is acting as counsel to GABY in respect of the Merger and the Private Placement.

### **GABY Inc. Management Team**

#### **Margot Micallef, Founder, President & CEO GABY Inc.**

GABY is uniquely positioned to capitalize on a retail consolidation strategy because of Margot's highly successful track record of retail growth, operation and consolidation. Margot has created substantial shareholder value through three separate consumer and retail focussed consolidations, overseeing hundreds of millions of dollars of chain wide revenue over multiple geographies. These transactions generated strong ROI for investors through the introduction of operational efficiencies, strategic growth and strong hiring decisions.

Margot's substantial entrepreneurial successes have brought her significant accolades including, appointee as a Queen's Counsel by the Lieutenant Governor in Council for Alberta, recipient of an Excellence in Leadership Award and later named the Woman of the Year in both instances, by the Canadian Women in Communications; named by the WXN as one of Canada's Top 100 Most Powerful Women; by Ernst & Young as an Entrepreneur of the Year Award Finalist for the Prairie Region of Canada, and named one of three finalists for the RBC Female Entrepreneur of the Year Award for Excellence in Entrepreneurship.

Margot is committed to building GABY as a legacy to her sister Gabriella whose death inspired GABY's mission to empower consumers to enhance the quality of their life, by their choosing, without pharmacological intervention. Margot has thus far invested \$7.0 million directly into GABY having invested alongside GABY's investors in every round and is investing a further \$1 million into the Private Placement.

#### **James Schmachtenberger, Co-Founder & CEO Mankind**

James Schmachtenberger is a serial entrepreneur who has dedicated his career to using cutting edge medicine and technology to enhance quality of life. James was an early pioneer in the cannabis industry, starting his first cannabis company in 2009. Throughout his time in cannabis James has played a significant role in public education around cannabis, founded industry trade

associations that played a major role in advancing cannabis legislation and has launched some of the most successful and recognizable companies in the industry, including Mankind.

In addition to his roles in the cannabis industry, James was the CEO of one of the most prominent and respected alternative health colleges in the country and co-founded one of the fastest growing nutraceutical companies, with a focus on developing products to increase quality of life and advance human capacities.

His experience across multiple industries, along with the unique lens he's had into the cannabis industry through leading trade associations has given James an ability to understand and predict how the industry will evolve and to always be a step ahead.

### **Aaron Browe, General Manager, GABY Inc.**

Aaron Browe is General Manager at GABY and the founder of Sonoma Pacific Distribution Inc. ("SPD"), a wholly owned subsidiary and the engine of GABY. He is responsible for all licensed operations of the group.

Growing up in the cannabis industry of the 80s and 90s in Mendocino County, Aaron lived and breathed the culture that has ultimately shaped the unfolding California cannabis landscape. It's the respect for this upbringing that allows GABY to integrate a disciplined approach to business while honoring those that gave so much to build the cannabis industry into what it is today.

Aaron oversees sales and operations of the manufacturing and distribution business units. Most importantly, Aaron hand picks the cannabis flower and biomass that is procured by GABY for SPD and others ensuring that anything that bears the SPD logo is something the team can be proud of. Prior to GABY, and SPD, Aaron co-founded Sonoma Cannabis Company and AYA - producing craft vape, pre-rolls, and rosin for the growing California dispensary marketplace. As CMO of those companies, he identified the need for an effective and dynamic sales force, supported by a strong marketing strategy and an operationally focused, disciplined execution strategy to bring products to market. Implementing this knowledge, Sonoma Pacific Distribution was born.

### **Private Placement**

The Company has entered an agreement with Mackie Research Capital Corporation, as lead agent and sole bookrunner (the "**Lead Agent**"), and including Haywood Securities Inc. (collectively with the Lead Agent, the "**Agents**") in respect of a brokered private placement offering of subscription receipts of the Company ("**Subscription Receipts**") on a best-efforts agency basis at a price of C\$0.05 per Subscription Receipt for aggregate gross proceeds of up to C\$11.0 million. The Private Placement is expected to close on or about the week of December 21, 2020, or on such date as the Lead Agent and the Company may agree upon (the "**Private Placement Closing Date**"). GABY is pleased to report a number of GABY's current and institutional investors have already committed in the aggregate over C\$5.5 million to this Private Placement.

Each Subscription Receipt will be exchangeable into one unit of the Company (each, a "**Unit**") without any further action required on the part of the holder of the Subscription Receipt and

without payment of any additional consideration, upon the later of: (i) the satisfaction of certain Escrow Release Conditions (as defined below); and (ii) the date that is the earlier of: (A) four months and one day after the Private Placement Closing Date; and (B) the second business day following the filing of a Qualifying Prospectus (as defined below).

Each Unit will consist of: (i) one GABY Share; and (ii) one GABY Share purchase warrant (each, a "**Warrant**"). Each Warrant will entitle the holder to purchase a GABY Share at an exercise price of C\$0.09, at any time up to 24 months following the date of issuance; provided that if, at any time prior to the expiry date of the Warrants, the volume weighted average trading price of the Common Shares on the CSE, or other principal exchange on which the GABY Shares are listed, is greater than C\$0.18 for 5 consecutive trading days, the Company may, within 10 business days of the occurrence of such event, deliver a notice to the holders of Warrants (the "**Acceleration Right**") accelerating the expiry date of the Warrants to the date that is 30 days following the date of such notice (the "**Accelerated Exercise Period**"). Any unexercised Warrants will automatically expire at the end of the Accelerated Exercise Period.

The Company will use its commercially reasonable efforts to obtain a receipt from the Alberta Securities Commission, on behalf of the applicable provincial securities regulatory authorities, for a (final) prospectus (the "**Qualifying Prospectus**") qualifying the distribution of the GABY Shares and Warrants underlying the Units issuable upon conversion of the Subscription Receipts and the GABY Shares and Warrants underlying the compensation warrants issuable to the Agents.

The gross proceeds from the Private Placement, less a portion of the expenses and commissions pursuant to the Private Placement, will be held in escrow with an escrow agent (the "**Escrow Agent**") pending the satisfaction of certain Escrow Release Conditions (as defined herein). If all conditions precedent to the Escrow Release Conditions are satisfied on or before the 90<sup>th</sup> day following the Private Placement Closing Date, the net proceeds, less the outstanding cash commission and any outstanding costs and expenses of the Agents shall be released to the Agents out of the escrowed proceeds, from the sale of the Subscription Receipts will be released from escrow to GABY. If the Merger is not completed on or before the 90<sup>th</sup> day following the Private Placement Closing Date (or such later date as the Lead Agent may consent in writing), or is terminated at an earlier time, then the purchase price for the Subscription Receipts will be returned to subscribers, together with a pro rata portion of interest earned on the escrowed funds, if any.

The Agents will have the option to offer up to an additional 15% of the number of Subscription Receipts sold pursuant to the Private Placement, exercisable in whole or in part, at any time up to 48 hours prior to the Private Placement Closing Date.

The net proceeds of the Private Placement are expected to be used to fund the Merger, the pro forma business plan of the Company and for general corporate purposes. Completion of the Private Placement is a condition precedent to the completion of the Merger. In the event GABY is unable to complete the Private Placement on satisfactory terms, GABY and Mankind will be unable to complete the Merger.

The “**Escrow Release Conditions**” shall be set forth in the subscription receipt agreement between the Company, the Escrow Agent and the Agents, and shall include: (i) all conditions precedent, undertakings, and other matters to be satisfied, completed and otherwise met at or prior to the completion of the Merger (other than delivery of standard closing documentation) have been satisfied or waived in accordance with the terms of the Definitive Agreement pursuant to the Merger (any such waiver to be consented to by the Lead Agent in writing, acting reasonably); (ii) there have been no material amendments of the terms and conditions of the Definitive Agreement pursuant to the Merger which have not been approved by the Agents, (iii) receipt by the Company of all necessary regulatory and other approvals regarding the Private Placement and the Merger, and (iv) such other documents as the Agents may request for a transaction of this nature in a form satisfactory to the Agents.

The Transaction is expected to constitute a "fundamental change" pursuant to the policies of the CSE, and is subject to the acceptance of the CSE and the approval of shareholders of GABY. Shareholders holding not less than 50% plus one of the issued and outstanding GABY Shares will approve the Transaction by way of written resolution. GABY has received confirmation of support for the Merger from shareholders holding more than 50% of the issued and outstanding GABY Shares. GABY intends to submit all requisite filings with the CSE in due course, including a listing statement in respect of the Transaction. The Transaction will not result in the creation of a new "control block holder", as such term is defined by the policies of the CSE. GABY is at arms' length to Mankind.

Additional information regarding the Transaction, Mankind, the financial statements of Mankind and pro forma financial statements of the Company after giving effect to the Transaction will be made publicly available by GABY in due course, including pursuant to a listing statement to be filed on SEDAR in connection with the Transaction at [www.sedar.com](http://www.sedar.com).

### **About Mankind Dispensary**

Mankind, one of the oldest licensed dispensaries in California, is a well-known, and highly respected dispensary with deep roots in the California cannabis community operating in San Diego, California. Mankind is known for its ability to curate a diverse portfolio of products grown and manufactured by operators which meet high operating standards determined by its buyers and quality assurance team. Mankind is dedicated to normalizing the consumption of cannabis by providing its discerning San Diego cannabis connoisseur clientele with quality products, education, and a unique shopping experience only found at Mankind. Since the beginning Mankind has sought to create a comfortable shopping experience for its customers and has refused to lock its product away from its customers enabling customers to more freely shop. In this way Mankind normalizes the shopping experience for traditional as well as new cannabis consumers.

For more information on Mankind, visit <https://mankindcannabis.com>.

### **About GABY Inc.**

Based in Sonoma County, California, GABY is a California focused cannabis consumer goods company taking a unique approach to cannabis and hemp-infused products. With relationships in over 500 retailers in the mainstream sales channel and over 200 in the licensed channel, GABY bridges the gap between the licensed dispensary and mainstream markets. Success as a consumer products company requires consistent quality and speed to market. Gaby has both; owning a significant majority of its manufacturing infrastructure enables it to control the quality of its products. While its proprietary distribution infrastructure, its team of diverse salespeople, its network of third-party distributors, and its existing relationships with retailers ensures it has speed-to-market for its proprietary products. GABY focuses on its societal and environmental impacts, and is dedicated to work force diversity, creating a culturally safe and economically rewarding environment for its employees and is a conscious corporation striving to innovate and inspire through plant-based lifestyles. GABY is an employee owned company, with 100% of the employees owning shares in the Company.

GABY's shares trade on the Canadian Securities Exchange ("CSE") under the symbol "GABY" and on the OTCQB under the symbol "GABLF". For more information on GABY, visit [www.GABYInc.com](http://www.GABYInc.com)

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**Disclaimer and Forward-Looking Information**

<sup>1</sup>*NON-GAAP MEASURES*

*Adjusted EBITDA: Adjusted EBITDA does not have any standardized meaning as prescribed by IFRS, and, therefore, is considered a non-GAAP measure and may not be comparable to similar measures presented by other issuers. The non-GAAP measure of Adjusted EBITDA combined with IFRS measures, such as revenue and net loss, is a useful measure to our investors as management relies on it to provide a measure of operating cash flows before servicing debt, income taxes, capital expenditures and other gains and losses. As referenced and reconciled in GABY's September 30, 2020 interim financial statements as filed on [www.secar.com](http://www.secar.com), Adjusted EBITDA (from continuing operations) is gross profit (loss) less selling, general and administrative expenses, and therefore excludes charges or income items of: share-based compensation and expenses, depreciation and amortization, interest income, interest expense and other items of income (expense).*

*Pro forma Revenue and Pro Forma Adjusted EBITDA: Pro forma Revenue and Pro Forma Adjusted EBITDA do not have any standardized meaning as prescribed by IFRS, and, therefore, are considered non-GAAP measures and may not be comparable to similar measures presented by other issuers. GABY's Pro forma Revenue and Pro Forma Adjusted EBITDA estimated for 2021 is presented as if the acquisition of Mankind took place January 1, 2021. The non-GAAP measures of Pro Forma Revenue and Pro Forma Adjusted EBITDA provide a useful measure to our investors as it provides insight into the potential annual performance of the Transaction.*

<sup>2</sup>Mankind reports its results in US dollars and generated US\$27.7 million [UNAUDITED] and Adjusted EBITDA<sup>1</sup> of US\$3.7 million [UNAUDITED] for the year ended December 31, 2019. It is expected Mankind will generate US\$28.5 million in revenue and US\$5.5 million in Adjusted EBITDA<sup>1</sup> in 2020. For ease of reference Mankind's results and expected results have been converted into Canadian dollars at a foreign exchange rate of US\$0.76 per C\$1.00.

<sup>3</sup>For ease of reference GABY's expected Pro Forma Revenue<sup>1</sup> and expected Pro Forma EBITDA<sup>1</sup> in 2021 have been converted into Canadian dollars at a foreign exchange rate of US\$0.76 per C\$1.00.

Completion of the Transaction is subject to a number of conditions, including, but not limited to, the acceptance of the CSE and shareholder approval. The Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the listing statement to be prepared in connection with the Transaction, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of GABY should be considered highly speculative.

This press release is not an offer of the securities for sale in the United States. The securities have not been registered under the U.S. Securities Act of 1933, as amended, and may not be offered or sold in the United States absent registration or an exemption from registration. 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 the securities in any state in which such offer, solicitation or sale would be unlawful.

This news release contains forward-looking statements and forward-looking information within the meaning of applicable securities laws. The use of any of the words "expect", "anticipate", "continue", "estimate", "objective", "ongoing", "may", "will", "project", "should", "believe", "plans", "intends" and similar expressions are intended to identify forward-looking information or statements. More particularly, and without limitation, this news release contains forward looking statements and information concerning the Merger, the Private Placement, anticipated additions to the board of directors and management of GABY, the application to the CSE in respect of the Merger, the Private Placement and the completion and timing of the transactions contemplated herein. In addition, statements relating to GABY's business, strategies, expectations, planned operations or future actions, including the anticipated benefits of the Transaction; the competitive conditions of the industry in which GABY operates and the competitive advantages of the pro forma company are forward-looking statements.

The forward-looking statements and information are based on certain key expectations and assumptions made by GABY, including expectations and assumptions concerning: GABY, Mankind and the combined company; the Merger, the Private Placement, including CSE and shareholder approvals and the execution of a Definitive Agreement in respect of the Merger and the satisfaction of other closing conditions in accordance with the terms of such agreement; the future operations of, and transactions completed by, GABY; the availability of sufficient capital; the availability of and access to qualified personnel; the expected growth in the cannabis market, the medical benefits, viability, safety, efficacy, dosing and social acceptance of cannabis; the securities markets and the general economy; and applicable laws not changing in a manner that is unfavorable to GABY.

Although GABY believes that the expectations and assumptions on which such forward-looking statements and information are based are reasonable, undue reliance should not be placed on the forward looking statements and information because GABY can give no assurance that they will prove to be correct. By its nature, such forward-looking information is subject to various risks and uncertainties, which could cause the actual results and expectations to differ materially from the anticipated results or expectations expressed. Without limitation, these risks and uncertainties include: the parties being unable to obtain the required CSE and shareholder approvals; the failure to complete the Private Placement on satisfactory terms, risks associated with the cannabis industry in general, failure to benefit from partnerships or successfully integrate acquisitions, actions and initiatives of federal, state and provincial governments and changes to government policies and the execution and impact of these actions, initiatives and policies, the size of the medical-use and adult-use cannabis market, competition from other



*industry participants, adverse U.S., Canadian and global economic conditions, failure to comply with certain regulations and departure of key management personnel or inability to attract and retain talent. GABY undertakes no obligation to update publicly or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.*

*This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about the Merger, the Private Placement, future cash flow, revenue and Adjusted EBITDA, Pro Forma Revenue and Pro Forma Adjusted EBITDA and components thereof, all of which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraph. FOFI contained in this document was approved by management as of the date of this document and was provided for the purpose of providing further information about GABY's future business operations. GABY disclaims any intention or obligation to update or revise any FOFI contained in this document, whether as a result of new information, future events or otherwise, unless required pursuant to applicable law. Readers are cautioned that the FOFI contained in this document should not be used for purposes other than for which it is disclosed herein.*

*Sonoma Pacific Distribution, Inc., is a subsidiary of GABY and holds a cannabis license in the State of California. Unlike in Canada which has Federal 032320-F legislation uniformly governing the cultivation, distribution, sale and possession of medical cannabis under the Cannabis Act (Federal), readers are cautioned that in the United States ("U.S."), cannabis is largely regulated at the State level. Cannabis is legal in the State of California; however, cannabis remains illegal under U.S. federal laws. Notwithstanding the permissive regulatory environment of 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. To the knowledge of the Company, the businesses operated by each of GABY's subsidiaries are conducted in a manner consistent with the State law of California, as applicable, and are in compliance with regulatory and licensing requirements applicable in the State of California, respectively. However, readers should be aware that strict compliance with State laws with respect to cannabis will neither absolve GABY, or its subsidiary of liability under U.S. federal law, nor will it provide a defense to any federal proceeding in the U.S. which could be brought against any of GABY, or its subsidiary. Any such proceedings brought against GABY, or its subsidiary may materially adversely affect the Company's operations and financial performance generally in the U.S. market specifically.*

*Neither the CSE nor its Regulation Services Provider accepts responsibility for the adequacy or accuracy of this release.*