Harborside Inc. Announces C$20 Million Private Placement of Equity Units and Provides 2021 Outlook

Strong Institutional Support with Lead Order from Entourage Effect Capital to Support 2021 Financial Targets

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OAKLAND, CA and TORONTO, Jan. 19, 2021 /CNW/ - Harborside Inc. ("Harborside", or the "Company") (CSE: HBOR), (OTCQX: HBORF), a California-focused, vertically-integrated cannabis enterprise, today announced a brokered private placement of units (the “Units”) of the Company (the “Offering”) at a price of C$2.55 per SVS Unit (as defined below) for gross proceeds of approximately C$20 million with approximately C$9.0 million of commitment from Entourage Effect Capital, LLC (“Entourage”), one of the largest shareholders of Harborside.

The Company has granted the Agents (as defined below) an option to sell up to an additional 15% of the Units in the Offering, exercisable in whole or in part at any time prior to closing of the Offering.

Each Unit issued to non-residents of the United States (an “SVS Unit”) will be comprised of one subordinate voting share of the Company (the “Subordinate Voting Shares”) and one Subordinate Voting Share purchase warrant (each a “Warrant”) of the Company. Each Warrant will be exercisable to acquire one Subordinate Voting Share of the Company (a “Warrant Share”) for a period of 36 months following the closing date of the Offering (the “Closing Date”) at an exercise price of C$3.69 per Warrant Share, subject to adjustment and acceleration in certain events.

All investors that are considered residents of the United States under the United States Securities Exchange Act of 1934, will be issued units comprised of multiple voting shares of the Company (the “Multiple Voting Shares”) and Multiple Voting Share purchase warrants of the Company, which will be based on the same economic equivalency of each Multiple Voting Share converting into 100 Subordinate Voting Shares.

“We are continuing to expand our footprint in the robust California cannabis market, delivering our best-in-class service and the high-quality product selection that Harborside is known for,” said Matthew Hawkins, Chairman of Harborside. “California is one of the largest cannabis markets in the world and Harborside has more than a decade of market success for our team to build on. I would like to thank our current and new shareholders for their overwhelming support of our growth strategy. This additional capital will solidify our balance sheet and provide a platform for us to continue to consolidate in the California market through accretive M&A transactions.”

The Company expects to use the net proceeds from the Offering for general corporate and working capital purposes.

ATB Capital Markets and Beacon Securities Limited will act as co-lead agents to the Offering (the “Agents”). The Company has agreed to pay the Agents a cash commission payable on the Closing Date

equal to 6.0% of the aggregate gross proceeds of the Offering (the "Cash Commission"), and to issue the Agents warrants (the "Broker Warrants"), exercisable to acquire, within 12 months from the Closing Date, in the aggregate, that number of Subordinate Voting Shares (the "Broker Warrant Shares") that is equal to 6.0% of the aggregate number of Units sold in the Offering, at an exercise price of C$2.55 per Broker Warrant Share. An adjusted commission structure will apply on select president's list investors coordinated by the Company. Subject to customary closing conditions, including applicable CSE approvals, the Offering is expected close on or about February 9, 2021 (the "Closing Date"), or such other date as the Company and the Agents may agree.

As certain insiders and other related parties of the Company will be participating in the Offering, it is deemed to be a "related party transaction" as defined under Multilateral Instrument 61-101—Protection of Minority Security Holders in Special Transactions ("MI 61-101"). The Offering is exempt from the formal valuation and minority shareholder approval requirements of MI 61- 101 (pursuant to subsections 5.5(a) and 5.7(a)) as the fair market value of the securities distributed to, and the consideration received from, related parties will not exceed 25% of the Company's market capitalization.

2020 Preliminary Results and 2021 Outlook[(1)(2)]

The Company is also pleased to provide the following update of guidance for 2020 along with guidance for 2021.

For the full year ended 2020, the Company is expecting gross revenues in line with previously issued guidance of approximately $61 - 63 million, and positive EBITDA. For the full year ended 2021, the Company expects standalone gross revenues of between $68 - $72 million. The increase in revenues for 2021 is expected to be derived from improved pricing in retail along with continued increases in both flower yields and processing efficiencies in Harborside's wholesale operations. As well, the Company expects a 2021 full year of Adjusted EBITDA[(3)] in the range of 15 – 17% of revenues, compared to the previously disclosed 2020 expectation of Adjusted EBITDA[(3)] in the range of 8 – 10% of revenues. Management expects to attain this higher level of Adjusted EBITDA[(3)] in 2021 through more efficient procurement of goods sold and stronger cost discipline on overhead spend.

Intention to Divest of Oregon Assets[(1)]

Through a review of the Company's existing retail portfolio, management has decided to explore the divestiture of its one retail dispensary operating as Terpene Station in Eugene, Oregon (the "Oregon Assets") as part of the Company's continued efforts to focus on the California market. The Company has not entered into any agreements, binding or non-binding, to divest of the Oregon Assets as of this date. Further, the Company has not established a definitive timeline to complete such divestiture, and no decisions related to the divestiture have been reached at this time. There can be no assurance as to what, if any, transaction might be pursued by the Company as a result of its intention to divest the Oregon Assets. The Company does not intend to comment further with respect to the divestiture unless and until it determines that additional disclosure is appropriate in the circumstances and in accordance with the requirements of applicable securities laws.

For the latest news, activities, and media coverage, please visit the Harborside corporate website at http://www.investharborside.com or connect with us on LinkedIn, Facebook, and Twitter.

About Harborside:
Harborside Inc. is one of the oldest and most respected cannabis retailers in California, operating three of the major dispensaries in the San Francisco Bay Area, a dispensary in the Palm Springs area outfitted with Southern California's only cannabis drive-thru window, a dispensary in Oregon and a cultivation/production facility in Salinas, California. Harborside has played an instrumental role in making cannabis safe and accessible to a broad and diverse community of California consumers. In

2006, Harborside was awarded one of the first six medical cannabis licenses granted in the United States and today holds cannabis licenses for retail, distribution, cultivation, nursery and manufacturing. Harborside is currently a publicly listed company on the CSE trading under the ticker symbol "HBOR". Additional information regarding Harborside is available under Harborside's SEDAR profile at www.sedar.com.

About Entourage Effect Capital:
Entourage Effect Capital, LLC, formerly known as Cresco Capital Partners, LLC, is a United States private investment firm, dedicated to investing in the cannabis industry. The firm's mission is to actively leverage its sector and investment experience, networks, and investment process, and to identify, invest and accelerate high quality emerging growth companies. Entourage was formed in 2014 and is based in Dallas, Texas.

Non-IFRS Measures, Reconciliation and Discussion

This press release may contain references to "Adjusted EBITDA", which is a non-IFRS financial measures.

Adjusted EBITDA is a measure of the Company's overall financial performance and is used as an alternative to earnings or net income in some circumstances. Adjusted EBITDA is essentially net income (loss) with interest, taxes, depreciation and amortization, non-cash adjustments and other unusual items added back. This measure can be used to analyze and compare profitability among companies and industries, as it eliminates the effects of financing and capital expenditures. It is often used in valuation ratios and can be compared to enterprise value and revenue. This measure does not have any standardized meaning according to IFRS and therefore may not be comparable to similar measures presented by other companies.

There are no comparable IFRS financial measures presented in Harborside's financial statements. Reconciliations of the supplemental non-IFRS measures are presented in the Company's management's discussion and analysis for September 30, 2020. These non-IFRS financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believes that the non-IFRS financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. The Company believes that these supplemental measures provide information which is useful to shareholders and investors in understanding our performance and may assist in the evaluation of the Company's business relative to that of its peers.

These non-IFRS financial measures should not be considered superior to, as a substitute for, or as an alternative to, and should be considered in conjunction with, the IFRS financial measures presented in the Company's financial statements. For more information, please see "Use of Non-IFRS Measures" and "Non-IFRS Measures" in the Company's management's discussion and analysis for September 30, 2020, which is available under the Company's profile on www.sedar.com.

Notes:

1. This is forward-looking information and based on a number of assumptions. See "Cautionary Note Regarding Forward-Looking Information".
2. These targets, and the related assumptions, involve known and unknown risks and uncertainties that may cause actual results to differ materially. While Harborside believes there is a reasonable basis for these targets, such targets may not be met. These targets represent forward-looking information. Actual results may vary and differ materially from the targets. See "Cautionary Note Regarding Forward-Looking Information" and "Assumptions" below.

3. This is a non-IFRS reporting measure. For a reconciliation of this to the nearest IFRS measure, see "Use of Non- IFRS Measures" and "Non-IFRS Measures" in the Company's management discussion and analysis for September 30, 2020.

Cautionary Note Regarding Forward-Looking Information

This news release contains "forward-looking information" and "forward-looking statements" (collectively, "forward- looking statements") within the meaning of the applicable Canadian securities legislation. 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 news release. 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 news release, forward-looking statements include, among other things, statements with respect to future company performance, growth, profitability, production capacity and gain in market share, the Company's corporate strategy moving forward, expected use of proceeds from the Offering, the anticipated Closing Date, the information under the heading "2021 Outlook", the Company's intention to divest the Oregon Assets.

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; political, social and environmental uncertainties; inability to obtain adequate insurance to cover risks and hazards; employee relations and 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. Although the forward-looking statements contained in this news release 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 news release. 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.

The Company, through several of its subsidiaries, is indirectly involved in the manufacture, possession, use, sale, and distribution of cannabis in the recreational and medicinal cannabis marketplace in the United States. Local state laws where the Company operates permit such activities however, these activities are currently illegal under United States federal law. Additional information regarding this and other risks and uncertainties relating to the Company's business are contained under the heading "Risk Factors" in the Listing Statement dated May 30, 2019, and in the Company's management's discussion and analysis for the period ended September 30, 2020, filed under the Company's profile on SEDAR at www.sedar.com.

This news release does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. The Company's securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act") or any state securities laws and may not be offered or sold within the United States or to U.S. Persons unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

Assumptions

In developing the financial guidance set forth above, Harborside made the following assumptions and relied on the following factors and considerations:

- The targets are based on Harborside's historical results including its year-to-date consolidated results of operations.
- The targets are subject to cultivation improvement plans anticipated to come online during 2021.
- Targeted revenue at our retail dispensaries through the end of the year is based on our YTD results.
- Both retail and wholesale revenue sustainability and growth depend on a variety of factors, including among other things, location, competition, legal and regulatory requirements. Prices are projected forward at recently realized wholesale and retail prices.
- Cost of goods sold, before taking into account the impact of value changes in biological assets (which are non- cash in nature, and, accordingly, are excluded from calculations of Adjusted EBITDA), have been projected based on estimated costs of production and capacity available from a vertically integrated supply chain. Cost of goods sold relating to inventory purchased from third parties have been projected in line with historical levels.
- Selling, general and administrative expenses through the end of 2021 are assumed to decrease as a percentage of revenues due to inherent scalability of selling, general and administrative expenses and our cost cutting initiatives outlined above. Additionally, total selling, general and administrative expenses include an allocation for corporate overhead and public company costs.

The Canadian Securities Exchange ("CSE") has neither approved nor disapproved the contents of this news release. Neither the CSE nor its Market Regulator (as that term is defined in the policies of the CSE) accepts responsibility for the adequacy or accuracy of this release.

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