

## **Hempshire Enters into Performance-Based Partnerships to Accelerate MOUNTAIN® Smokes Sales in the U.S. Convenience Store, Chain Store, and Retail Store Sectors, and Online Marketplaces**

Calgary, Alberta, October 4, 2022 – The Hempshire Group, Inc. (TSXV: HMPG) ("Hempshire" or the "Company"), a California-based non-tobacco and non-nicotine smokable alternatives company that formulates and sells its own proprietary brand of organic hemp smokes ("Hemp Smokes") under the **MOUNTAIN® Smokes** label, is pleased to announce the execution of strategic partnership agreements with Amit Khubani and Tom Patterson (together, the "Partnership Agreements").

The Partnership Agreements are performance-based and designed to incentivize Messrs. Khubani and Patterson to drive US\$10 million in B2B product sales for Hempshire over the next twelve months, in exchange for equity in the Company.

Mr. Khubani is a member of the founding family of direct response marketing who founded Telebrands, the "As Seen On TV" marketing empire, ONTEL Products Corporation, and Idea Village. Together, the Khubani companies are responsible for a significant percentage of all direct response items sold in the United States today. Mr. Khubani is the Executive Vice President of ONTEL and oversees product sales generation of over US\$500 million annually. Under his Partnership Agreement, Mr. Khubani is responsible for facilitating placement of **MOUNTAIN® Smokes** into retail chains and convenience stores in key designated market areas (DMAs), commencing on the U.S. East Coast.

Mr. Patterson is recognized as one of the leading growth marketing and digital marketing strategists in ecommerce. Mr. Patterson's in-house owned brands have generated over US\$100 million in consumer and B2B sales, and he has been responsible for over US\$450 million in product sales for clients of his marketing agency, WKND Digital. Under his Partnership Agreement, Mr. Patterson is responsible for creating and deploying marketing and consumer sell-through assets to facilitate consumer awareness and demand for the **MOUNTAIN® Smokes** brand in retail channels.

Under the Partnership Agreements, these two marketing experts are facilitating Hempshire's entrance into the U.S. convenience store and retail store sectors, by leveraging the substantial relationships they have established over the past 20 years, and by deploying the consumer demand and sell-through tactics they have pioneered for dozens of the most successful consumer brands in the world. They are also responsible for supporting the sales of **MOUNTAIN® Smokes** on Amazon and other online marketplaces.

*"We are ecstatic to have attracted two high-caliber individuals to Hempshire's U.S. B2B sales efforts, and even more excited that these individuals have requested a highly incentivized performance and equity-based compensation structure. After trying **MOUNTAIN® Smokes** within their circles and conducting their due diligence, Amit and Tom's request for a performance and equity-based compensation package shows their belief in the upside potential of Hempshire,"* stated Martin Marion, Hempshire President and CEO.

Mr. Khubani said, *"As one of the world's leading consumer products marketers and distributors, the Khubani family companies look for those rare products that have the potential to significantly disrupt massive markets and drive sales through some of the most demanding retailers in the world. Our due diligence on the **MOUNTAIN® Smokes** line of products and the executive team behind this product indicates this is the right product, at the right time, to achieve competitive market domination in an emerging but exploding industry and create a new and highly profitable revenue stream for the over 100,000 retail doors we can access across the United States. I am very excited about this opportunity, and I look forward to adding **MOUNTAIN® Smokes** to our list of record-breaking consumer products at scale."*

Mr. Patterson, founder of WKND Digital added, "*The smokable alternatives market is in its formative days, and this represents the ideal time to establish a category leader through results-driven marketing. Achieving competitive advantage always starts with the product, and in the case of MOUNTAIN® Smokes, we have the ideal blend of best-in-class product, and the 'perfect storm' combination of a large target market of cigarette smokers looking to enjoy the rituals and pleasures of smoking without the dangers of nicotine. I cannot overstate how excited I am to be part of this project, and how big the opportunity is to create head-turning marketing that results in significant demand and revenues over the coming year.*"

### **Amit Khubani Bio**

Amit Khubani is a member of the founding family of direct response marketing, which includes, among others, industry-leading direct response marketing and advertising companies Telebrands, ONTEL Products Corporation, Idea Village, and others. Mr. Khubani is the Executive Vice President of ONTEL, responsible for such consumer product successes as Pillow Pets (over 50 million units sold), Artic Air (over 20 million units sold), Iron Gym (over 20 million units sold), and many more, generating in excess of US\$500 million annually. Combined, the Khubani family companies have been responsible for placing billions of dollars of products into retail distribution over the past decade.

Mr. Khubani is also Director of the International Division of ONTEL, where he is responsible for distribution of consumer products in over 90 countries worldwide, overseeing the 'live shopping' operations which place products on such channels as the Home Shopping Network (HSN) and QVC (both owned by Qurate Retail Group; NYSE: QVCD) for over 20 years. Mr. Khubani also manages the family companies' Amazon and digital marketing groups, generating mid-8-figures annually.

Mr. Khubani is a member of the U.S. Advisory Board of the Electronics Retailers Association, and Managing Director of ISC Sales Company, a domestic Direct Store Distribution (DSD) company providing hundreds of consumer products directly to Walgreens for over 20 years, generating wholesale sales of over US\$300 million.

Combined, the Khubani company retail marketing consultancy, led by Amit Khubani, brings over 100 years of combined retail selling experience and relationships, and has generated over US\$5 billion of consumer product sales through over 100,000 retail doors in the United States.

### **Tom Patterson Bio**

Tom Patterson is the Founder and CEO of WKND Digital, an industry-leading boutique creative content and paid media growth agency. Tom is a highly respected and sought-after digital marketing expert, and is considered a worldwide authority on conversion-optimized content creation, ROI-focused scaling for consumer brands, and data-driven marketing strategy creation. Mr. Patterson has generated over US\$100 million in product sales for his in-house owned consumer brands, and is also directly responsible for achieving over US\$450 million in product sales for his client base through his work with WKND Digital, and as a consultant to some of the world's most recognized brands and their agencies of record, including Discovery Channel, Diesel Brothers, SNOW Teeth Whitening, Kodak, Tough Mudder, SEIKO, Coca-Cola, Cheerios, Converse, Disney, Caterpillar, Nickelodeon, Animal Planet and more. Mr. Patterson and his agency have won the prestigious digital marketing industry's ClickFunnels '2 Comma Club Award' 6 times, each signifying the generation of over US\$1 million in revenue through dedicated marketing funnels.

Mr. Patterson and his agency will direct and create the in-store, digital and offline marketing assets and programs needed to support consumer awareness of, and sell-through demand for, MOUNTAIN® Smokes at the convenience stores, chain stores and retailers targeted through this partnership.

## **The Partnership Agreements**

The Partnership Agreements are 12-month performance-based agreements with a target of US\$10.0 million in realized revenue achieved. For each revenue milestone of US\$2.5 million achieved through orders secured by Messrs. Khubani and Patterson ("B2B Sales"), Hampshire will issue an aggregate of 1.5 million common shares of Hampshire (the "Hempshire Shares") at a deemed issue price of C\$0.28 per Hampshire Share, up to an aggregate maximum of 6.0 million Hampshire Shares issued only if US\$10.0 million of sales from B2B Sales are made within 12 months. The Hampshire Shares will be issued in satisfaction of amounts owing to Messrs. Khubani and Patterson, who are arm's length service providers to the Company, in the aggregate amount of C\$1.68 million for services provided to date, and will only be issued if the revenue milestones are achieved. Messrs. Khubani and Patterson will provide additional support during the 12-month term of the Partnership Agreements for no additional consideration, except that the Partnership Agreement with Mr. Khubani provides that the Company will pay an additional monthly cash fee equal to US\$10,000 (including applicable taxes) for the first 6 months of the term.

The Partnership Agreements define sales as revenue received by Hampshire from B2B Sales, net of any required expenses such as first-fill bonuses or incentives, product or marketing support commitments, and the value of coupons or other incentives.

The Partnership Agreements are subject to the approval of the TSX Venture Exchange (the "TSXV") and the Hampshire Shares issuable in connection therewith will be subject to a statutory 4-month hold period.

## **About Hampshire**

Incorporated in 2019, The Hampshire Group, Inc. formulates and markets its own proprietary brands under the **MOUNTAIN® Smokes** label with <0.3% THC, and **MOUNTAIN® Zeros** label with non-detectable, <0.0001% THC. These labels are offered in Natural, Pineapple Squeeze™ and Mint Squeeze™ flavors. **MOUNTAIN® Smokes** look, feel, burn, and are packaged like tobacco cigarettes, but without the harmful effects and addictive properties of tobacco and nicotine, and without additives or chemical preservatives. Hampshire also offers private white-labeling services and contract manufacturing services, through its partners, for non-owned Hemp Smoke brands in the United States and internationally.

Information about the Company's **MOUNTAIN® Smokes** line of organic Hemp Smokes can be found at the Company's ecommerce website at <https://mountainsmokes.com>.

## **Additional Information**

For additional information regarding Hampshire, please contact:

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## **Reader Advisory**

*Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*

*Forward-Looking Statements*

*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: Hampshire's business, strategies, expectations, planned operations and future actions; Hampshire's intention and ability to grow its business, operations and product offerings through ecommerce, B2B sales and physical retailers, including establishing brand awareness in the US and internationally and developing white labeling and contract manufacturing collaborations; the Partnership Agreements, including the approval of the TSXV in respect of the Partnership Agreements; and B2B sales in connection with the Partnership Agreements.*

*The forward-looking statements and information are based on certain key expectations and assumptions made by Hampshire, including expectations and assumptions concerning: the securities markets and general business and economic conditions, including the ongoing impact of COVID-19; the future operations of, and transactions completed by, Hampshire, including its ability to successfully implement its growth strategies and business plan; ongoing ability to conduct business in the regulatory environments in which Hampshire operates and may operate in the future; the ability of the Company to obtain and maintain suitable distributor partners and other strategic relationships; and applicable laws not changing in a manner that is unfavorable to Hampshire. Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which have been used.*

*Although Hampshire 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 Hampshire can give no assurance that they will prove to be correct. By its nature, such forward-looking information is subject to inherent 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: risks associated with the cannabis or hemp industries in general; the size of the emerging industrial hemp market; constraints on marketing products; risks inherent in the agricultural business; failure to benefit from partnerships; 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; Hampshire's interpretation of and changes to federal and state laws pertaining to hemp; incorrect interpretation of the United States' Agricultural Improvement Act of 2018; international regulatory risks; uncertainty caused by potential changes to regulatory framework; regulatory approval and permits; environmental, health and safety laws; anti-money laundering laws and regulations; banking matters; ability to access public and private capital and banking services; denial of deductibility of certain expenses; liability for actions of employees, contractors and consultants; product viability; accuracy of quality control systems; product recalls, product liability and product returns; positive tests for THC or banned substances; supply risk; reliance on third party suppliers, service providers and distributors; failure of counter-parties to perform contractual obligations, including in respect of the Partnership Agreements; industry and intra-industry competition; changing consumer preferences and customer retention; unfavorable publicity or consumer perception; inability to sustain pricing models; reliance on key inputs; effectiveness and efficiency of advertising and promotional expenditures; retention and recruitment of key officers and employees; inability to renew material leases; obtaining insurance; management of growth; risks related to acquiring companies and entering partnerships; infringement on intellectual property; inability to protect intellectual property; intellectual property claims; litigation; trade secrets may be difficult to protect; data security breaches; global economic uncertainty; geo-political risks; emerging industries; limited market for*

*securities; financial reporting and public company obligations; and other factors more fully described from time to time in the reports and filings made by Hempshire with securities regulatory authorities.*

*In addition, Hempshire cautions that current global uncertainty with respect to the spread of the COVID-19 virus and its effect on the broader global economy may have a significant negative effect on Hempshire. While the precise impact of the COVID-19 virus on Hempshire remains unknown, rapid spread of the COVID-19 virus may continue to have a material adverse effect on global economic activity, and may continue to result in volatility and disruption to global supply chains, operations, mobility of people and the financial markets, which could affect interest rates, credit ratings, credit risk, inflation, business, financial conditions, results of operations and other factors relevant to Hempshire.*

*Readers are cautioned that the assumptions used in the preparation of forward-looking information, although considered reasonable at the time of preparation, may prove to be imprecise. Actual results, performance or achievement could differ materially from those expressed in, or implied by, these forward-looking statements and accordingly there can be no assurance that such expectations will be realized. Hempshire 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. The forward-looking information contained herein is expressly qualified by this cautionary statement.*

*This press release contains future-oriented financial information and financial outlook information (collectively, "FOFI") about Hempshire's future product sales, including expectations regarding the sale of up to \$10 million of MOUNTAIN® Smokes in the U.S. Convenience Store, Chain Store, and Retail Store Sectors, and Online Marketplaces over the next 12 months pursuant to the Partnership Agreements, which are subject to the same assumptions, risk factors, limitations, and qualifications as set forth in the above paragraphs. The actual results of operations of Hempshire and the resulting financial results may vary from such expectations and such variation may be material. Hempshire and its management believe that the FOFI has been prepared on a reasonable basis, reflecting management's best estimates and judgments. However, because this information is subjective and subject to numerous risks, it should not be relied on as necessarily indicative of future results. Except as required by applicable securities laws, Hempshire undertakes no obligation to update such FOFI. FOFI contained in this press release was approved by management of Hempshire as of the date of this press release and was provided for the purpose of providing further information about Hempshire's anticipated future business operations. Readers are cautioned that the FOFI contained in this press release should not be used for purposes other than for which it is disclosed herein.*

*Certain information contained herein has been obtained from published sources prepared by independent industry analysts and third-party sources (including industry publications, surveys and forecasts). While such information is believed to be reliable for the purposes used herein, Hempshire does not assume any responsibility for the accuracy of such information. Some of the sources cited in this news release have not consented to the inclusion of any data from their reports, nor has Hempshire sought their consent.*