

Gabriella's Kitchen Enters Into Agreement to Acquire Sonoma Pacific Distribution, a California Leader in Cannabis Distribution and Marketing

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CALGARY, Oct. 23, 2018 /CNW/ - Gabriella's Kitchen Inc. ("**GABY**" or the "**Company**") (CSE: **GABY**), an innovative and leading-edge cannabis wellness company, is pleased to announce that it has entered into a binding agreement (the "**Agreement**") to acquire all of the shares of Sonoma Pacific Distribution ("**Sonoma**"), California's premier independently owned cannabis distribution and marketing company. Sonoma holds a distribution license for the State of California, issued by the Bureau of Cannabis Control.

Under the Agreement, the Sonoma shareholders will receive common shares in GABY (the "**GABY Shares**") equal to 1.0x the verifiable licensed revenue of Sonoma for the fiscal year ended December 31, 2018 ("**2018 Revenue**") calculated as at the Company's volume-weighted average price (the "**VWAP**") for the 20-day period ending at the market close on October 23, 2018, the date the transaction was announced. It is anticipated that the total value of the GABY Shares to be issued under the Agreement at closing will range between USD\$3.5 million and USD\$5.5 million. The GABY Shares will be immediately issued in escrow based on the estimated revenue of \$5.5 million, pending verification by GABY's auditors and shall be releasable from escrow on the day (the "**Release Date**") following the public release of GABY's fiscal 2018 year-end financial statements based on the actual 2018 Revenue. If the 2018 Revenue exceeds the estimate of \$5.5 million, additional GABY Shares will be issued at the VWAP for the 20-day period ending at the market close on the Release Date. The Sonoma shareholders will be further entitled to an earn-out equal to 0.35x the difference between the 2018 Revenue and the verifiable licensed revenue of Sonoma realized as at December 31, 2019. The earn-out will be paid in additional GABY shares with the value calculated as at the Company's VWAP for the 20-day period ending on the day following the public release of the consolidated Sonoma and GABY fiscal 2019 year-end financial statements.

The proposed acquisition of Sonoma, coupled with GABY's previously announced acquisition of The Oil Plant ("**TOP**") and its manufacturing license, allows GABY to control the path from product conception to consumer, giving the Company a portal to directly reach its customers. It also affords GABY ownership of its manufacturing and distribution infrastructure in California, being one of the most significant cannabis markets in the world, positioning the Company for present market opportunities as well as larger future market opportunities. Should federal legalization in the United States ("**US**") remove the barriers to inter-state commerce, GABY will have the infrastructure needed to quickly expand into the remaining US states.

As part of the transaction, Mr. Aaron Browe, Founder and President of Sonoma, will join GABY as the Senior Vice President responsible for Global Distribution of GABY's cannabis-infused product portfolio. In this capacity, Mr. Browe will oversee the internal and external sales teams in the infused channel markets in the US and will immediately start the process of establishing distribution relationships in Canada and globally.

Ashley Oldham, current COO of Sonoma, will continue day-to-day management of Sonoma under the continued oversight of Mr. Browe.

"In our quest to build the category leader in cannabis wellness, it is imperative that we own both our manufacturing and distribution infrastructure in the largest and most significant cannabis and wellness focussed market in the world," said Margot Micallef, Founder and CEO of Gabriella's Kitchen. "By bringing Sonoma Pacific into our family, we have achieved our goal of having a direct link to our customers. We are also pleased to rely on Aaron's distribution prowess to partner with other world-wide distributors to build our global footprint working alongside the dedicated team he has built to date."

"When I founded Sonoma Pacific, I wanted to shape the direction of the cannabis industry to ensure cultivators were treated fairly, dispensaries were serviced professionally and consumers had access to great products. As an independent distributor in California, the Sonoma team has done that to the degree we could," said Aaron Browe, GABY's newly appointed Senior Vice President of Global Distribution. "With GABY's capital market savvy, deep experience in building companies, broad distribution infrastructure in the mainstream channel and experienced product development and manufacturing team, Sonoma Pacific is ideally positioned to realize our goal of being a leader in the cannabis space and truly help shape the future of the industry. We are also excited to work more closely with Mara Gordon, GABY's Chief Research Officer, who I know well, and to leverage her thought leadership in the cannabis sector. "

About Gabriella's Kitchen

Gabriella's Kitchen (GABY) is a pure-play cannabis wellness company. With its existing infrastructure of major retailers and an extensive broker and distribution network, GABY is positioned to service both mainstream grocery with CBD infused products, and licensed cannabis retailers with CBD and THC-infused products throughout Canada and the United States. The Company's also has over 25 non-infused products available in more than 3,400 major retail stores across the U.S. and Canada.

Italian sisters Margot and Gabriella co-founded GABY to bring high quality, delicious, healthy superfoods to the market. The desire to create the all-encompassing wellness company came after Gabriella received a dire cancer diagnosis which spurred the sisters to prolong Gabriella's life through a holistic approach to health. GABY directly and through TOP now offers a diverse range of products that cater to a variety of dietary and health concerns. Although Gabriella ultimately passed away from her illness, she lived exponentially longer than doctors predicted. Her memory and passion live on through GABY's mission: to empower people to live healthy lives without compromise.

About Sonoma Pacific Distribution

Sonoma Pacific is an independent, distribution company licensed by the California Bureau of Cannabis Control. With multiple offices throughout California, Sonoma Pacific distributes an array of products to hundreds of licensed retail dispensaries throughout California. It is the mission of Sonoma Pacific Distribution to provide services to like-minded brands, producers, and farmers who share the company's vision of a cannabis industry dedicated to the health of our environment, economy, and community. By partnering with businesses that prioritize artfully branded, sustainably grown products, thoughtfully crafted by a workforce paid a living wage, Sonoma Pacific can shape the future of the cannabis industry and enrich the lives of those it serves.

Disclaimer and Forward-Looking Information

The Canadian Securities Exchange does not accept responsibility for the adequacy or accuracy of this release. Certain information set forth in this news release may contain forward-looking statements that involve substantial known and unknown risks and uncertainties, certain of which are beyond the control of Gabriella's Kitchen Inc. Forward-looking statements are frequently characterized by words such as "plan", "continue", "expect", "project", "intend", "believe",

"anticipate", "estimate", "may", "will", "potential", "proposed" and other similar words, or statements that certain events or conditions "may" or "will" occur. 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 anticipated availability of the Company's Infused Products. 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. Upon successful completion of the Transaction, Sonoma will become a wholly owned subsidiary of GABY.

Sonoma owns cannabis license in the State of California. Cannabis is legal in the State of California however cannabis remains illegal under United States ("U.S.") federal laws. The U.S. Department of Justice issued guidance in 2013 indicating that it will focus on certain enforcement priorities, outside of which it will generally not enforce federal prohibitions on cannabis in U.S. states that have authorized this conduct so long as the U.S. state has implemented a strong and effective regulatory program. This federal guidance is subject to change, rescission or alteration by other federal government policy pronouncements at any time.

Sonoma's business is conducted in a manner consistent with the State law of California and is in compliance with regulatory and licensing requirements applicable in the State of California. However, the readers should be aware that change in federal guidance on enforcement actions could adversely affect Sonoma's ability to access private and public capital required in order to support continuing operations and its ability to operate in the U.S.

Related Links

www.gabriellas-kitchen.com
www.sonomapac.com
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