UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2023
OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the transition period from to
Commission file number: 000-56422

TILT Holdings Inc.
(Exact name of registrant as specified in its charter)

British Columbia	**83-2097293**
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
2801 E. Camelback Road #180	
Phoenix, Arizona	**85016**
(Address of principal executive offices)	(Zip code)

(623) 887-4990
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: None

Securities registered pursuant to Section 12(g) of the Act: Common Shares

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or Section 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non- accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☒	Smaller reporting company	☒
		Emerging growth company	☒

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262 (b)) by the registered public accounting firm that prepared or issued its audit report. ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of the common shares, without par value, of TILT Holdings Inc. held by non-affiliates on June 30, 2023, the last business day of the registrant's most recently completed second fiscal quarter (based on the closing price of these shares on Cboe Canada (formerly known as the NEO Exchange), converted to USD using the exchange rate provided by the Bank of Canada on June 30, 2023 of USD 1.00 = CAD$ 1.324 was $10,030,710.

As of February 29, 2024, there were 341,012,167 common shares, without par value, of TILT Holdings Inc. outstanding, excluding limited partnership units of Jimmy Jang, L.P. exchangeable for 43,821,379 common shares, and zero compressed shares, without par value, of TILT Holdings, Inc. outstanding.

Documents Incorporated by Reference:
Portions of the registrant's definitive proxy statement relating to its 2024 annual meeting of shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K.

TILT HOLDINGS INC.

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USE OF NAMES AND CURRENCY

In this Annual Report on Form 10-K, unless the context otherwise requires, the terms “we,” “us,” “our,” “Company,” or “TILT” refer to TILT Holdings Inc. together with its wholly-owned subsidiaries.

Unless otherwise indicated, all references to “$,” “US$,” “USD,” or “USD$” in this Annual Report on Form 10-K refer to United States dollars, and all references to “C$,” “CAD,” or “CAD$” refer to Canadian dollars.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K includes “forward-looking information” and “forward-looking statements” within the meaning of applicable Canadian and United States (“U.S.”) securities laws (collectively, “forward-looking statements”). Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and the Company’s objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to the Company’s plans and objectives, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words “believe,” “plan,” “intend,” “estimate,” “expect,” “likely,” “potential,” “proposed,” “scheduled,” “forecast” or “anticipate,” and similar expressions, as well as future or conditional verbs such as “will,” “should,” “would,” “may,” “might” and “could” identify forward-looking statements.

Management of the Company has based the forward-looking statements on its current views with respect to future events and financial performance and has made assumptions and applied certain factors regarding, among other things: future product pricing; costs of inputs; the Company’s ability to successfully market its products to its anticipated clients; the Company’s reliance on its key personnel; certain regulatory requirements; the application of federal and state environmental laws; the impact of increasing competition; the ability to obtain additional financing on favorable terms; the receipt of applicable regulatory approvals; and the regulatory environments in which the Company operates. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company’s forward-looking statements are expressly qualified in their entirety by this cautionary statement. The purpose of forward-looking statements is to provide the reader with a description of management’s expectations, and such forward-looking statements may not be appropriate for any other purpose.

By its nature, forward-looking information is subject to risks and uncertainties, and there are a variety of risk factors, many of which are beyond the control of the Company, and that may cause actual outcomes to differ materially from those discussed in the forward-looking statements. Such factors include, among others, the status of cannabis as a controlled substance under the U.S. Federal Controlled Substances Act (“CSA”); risks related to the enforcement activities by the U.S. Department of Justice (“DOJ”); risks related to the Company’s ability to continue as a going concern; reputational risk to third parties; risks associated with banking, financial transactions and anti-money laundering laws and regulations; risks related to federal and state forfeiture laws; the risk of heightened scrutiny by regulatory authorities; risks related to the potential negative impact of regulatory scrutiny on raising capital; risks related to regulatory or political change; risks due to industry immaturity or limited comparable, competitive or established industry best practices; risks related to the uncertainty surrounding existing protection from U.S. federal prosecution relating to cannabis laws; risks related to uncertainty with respect to geo-political disruptions; risks related to regulatory changes in relation to vaporization devices and subsequent impacts to interstate commerce, registrations and revenue reporting requirements, and potential excise tax applicability; risks relating to tax status; risks associated with the Company’s business model; risks related to the Company’s dependency on skilled labor, equipment, parts, components and key inputs; risks related to the reliance on third party suppliers; risks related to adverse economic conditions, labor shortages, supply chain disruptions, inflationary pressures and increasing interest rates; risks that the Company’s actual financial position and results of operations may differ materially from the expectations of the Company’s management; risks related to the costs and obligations relating to the Company’s investment in infrastructure, growth, regulatory compliance and operations; risks related to the Company’s dependency on regulatory approvals and licenses to conduct its business; risks *related to the potential for changes in laws, regulations and guidelines which could adversely affect the Company's future business; risks related to a failure on the part of the Company to comply with applicable regulations; risks related to the legal, regulatory and scientific status of cannabis; risks related to the Company's ability to find suitable candidates and capital necessary to complete strategic alliances or partnerships; risks related to the Company's ability to successfully identify and execute future acquisitions or dispositions; risks related to indebtedness and the Company's ability to extend, refinance or repay such indebtedness; risks related to the Company's ability to develop its products; risks related to the Company's ability to achieve successful cultivation; risks related to adverse environmental conditions, accidents, and labor disputes; risks related to the Company's ability to turn a profit or generate immediate revenues; risks related to limitations on the permissible ownership of licenses; risks related to constraints on marketing the Company's products under varying state laws; risks related to the potential results of future clinical research; risks related to the Company's ability to effectively manage its growth and operations; risks related to the regulation of medical cannabis by the U.S. Food and Drug Administration ("FDA"); risks related to the differing local rules and regulations and the impact this may have on the Company's ability to expand into new markets; risks related to the protection and enforcement of intellectual property rights and allegations that the Company is in violation of intellectual property rights of third parties; risks relating to access to banking; risks relating to disclosure of personal information to government or regulatory entities; risks related to potential requirement to disclose personal identifying information to government or regulatory entities; risk that the Company may be forced to litigate or defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights; risks related to data privacy laws, rules, and regulations; risks relating to fraudulent activity by employees, contractors and consultants, risks regarding the enforceability of contracts; risk of litigation generally; risks relating to increasing competition in the industry; risks relating to the Company's ability to secure adequate or reliable sources of funding; risks relating to product recalls; risks relating to reliance on technology systems that may be subject to cyber-attacks or security breaches; risks that the Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest; risks that the Company's officers, directors and other parties may exert significant influence on the Company; risks relating to the Company's inability to successfully implement adequate internal controls over financial reporting; risks relating to restrictions on entry to the U.S. for the Company's Canadian individuals; risks relating to the potential that bond requirements and insurance premiums may be economically prohibitive; risks relating to global economic and political instability and conflicts; the risk that the Company's web presence's visibility is not limited by geography; risks relating to volatility in the market price of the Company's securities; risks related to price volatility of publicly traded securities; risks related to dilution of the Company's securities; risks related to the Company's securities being currently quoted on the OTCQB; and other factors beyond our control, as more particularly described under the heading "Risk Factors" in this Annual Report on Form 10-K.*

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although we have attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on forward-looking information and statements. The forward-looking information and statements contained herein are presented for the purposes of assisting readers in understanding our expected financial and operating performance and our plans and objectives and may not be appropriate for other purposes.

The forward-looking information and statements contained in this Annual Report on Form 10-K represent our views and expectations as of the date of this Annual Report on Form 10-K. We anticipate that subsequent events and developments may cause our views to change. However, while we may elect to update such forward-looking information and statements at a future time, we have no current intention of doing so except to the extent required by applicable law.

PART I

ITEM 1. BUSINESS

General

TILT is a business solutions provider to the global cannabis industry offering a diverse range of value-added products and services to industry participants. Through a portfolio of companies providing technology, hardware, cultivation, production, and distribution, TILT services brands and cannabis retailers in regulated markets across 40 states in the U.S., as well as Canada, Israel, Mexico, South America, and the European Union.

TILT was incorporated under the laws of Nevada pursuant to NRS Chapter 78 on June 22, 2018. The Company was continued under the *Business Corporations Act* (British Columbia) ("BCBCA") pursuant to a Certificate of Continuance dated November 14, 2018. The Company is a reporting issuer in Canada in the Provinces of British Columbia, Alberta and Ontario and its common shares are listed for trading on the Cboe Canada (formerly known as the NEO Exchange) under the symbol "TILT." In addition, the common shares are quoted on the OTCQB in the U.S. under the symbol "TLLTF."

The Company's head office is in Phoenix, Arizona and its registered office is located at Suite 2400, 745 Thurlow Street, Vancouver, BC, V6E 0C5, Canada.

Principal Products and Services

The Company operates through two business divisions: Inhalation Technology and Cannabis.

Inhalation Technology — Jupiter

The Inhalation Technology division encompasses the business of Jupiter Research, LLC ("Jupiter") which is a leading participant in the cannabis vape and accessory product market. Through the Inhalation Technology division, the Company sells vape and accessory products and services to brand partners and cannabis retailers in regulated markets across 40 states in the U.S., and internationally in Canada, Israel, Mexico, South America, and the European Union. The Company's business model leverages in-house technical and product design acumen along with supply chain expertise to deliver customized hardware, accessories, technology and packaging solutions, which enables cannabis brands to differentiate their product in the marketplace. For the vast majority of its hardware products, Jupiter partners with Shenzhen-based Smoore Technology Limited ("Smoore Technology") to incorporate its industry-leading CCELL® technology into Jupiter's product solutions, and Jupiter is one of only six licensed resellers of CCELL® technology. The Company maintains a research and development lab to introduce innovative new products to the market, and expand the offerings of the Inhalation Technology division.

Cannabis

The Cannabis division supports third-party cannabis clients through turn-key retail, distribution, cultivation and manufacturing offerings. The Company offers these products and services in different capacities in Massachusetts, Pennsylvania, and Ohio. The Company's contract manufacturing and distribution network grants its cannabis clients efficient access to these fast growing, limited license markets. The following reflects a summary of the Cannabis division's operations and assets in each market:

Cannabis — Massachusetts

In Massachusetts, the Company operates through its wholly owned subsidiary, Commonwealth Alternative Care, Inc. ("CAC"). CAC operates a vertically integrated marijuana facility in Taunton, Massachusetts (the "Taunton Facility"), dually licensed for both medical and adult-use operations. The Taunton Facility includes over 60,000 square feet dedicated to cultivation, 8,000 square feet of production and 2,400 square feet of onsite retail dispensary space. At its Taunton Facility, CAC operates a full commercial kitchen and extraction facility producing packaged units across dozens of demand-driven stock keeping units (“SKUs”). CAC produces a variety of cannabis flower, vape cartridges, concentrates, edibles and topicals under its house brand Standard Farms and its brand partner products. CAC also distributes these SKUs to other licensed cannabis operators in the Commonwealth of Massachusetts via wholesale and to both registered patients of the Massachusetts Medical Use of Marijuana Program and adult-use consumers via retail and direct delivery. In addition to its Taunton facility, CAC has two dispensary locations: one is operational for medical/adult-use in the City of Brockton, and the other is operational for medical retail sales in the City of Cambridge.

Cannabis — Pennsylvania

The Company cultivates cannabis plants and manufactures medical cannabis products in Pennsylvania through its wholly owned subsidiary, Standard Farms LLC (“Standard Farms PA”). Standard Farms PA offers a variety of goods including vape cartridges, flower, capsules, oil syringes and tinctures, all of which are sold to approximately 90% of the state’s cannabis dispensaries via wholesale. Standard Farms PA’s greenhouse facility includes 33,500 square feet dedicated to cultivation and maintains the ability to expand that footprint in the future.

Cannabis — Ohio

The Company operates a cannabis extraction facility outside of Cleveland, Ohio through its wholly owned subsidiary, Standard Farms Ohio, LLC (“Standard Farms OH”). In addition to its fully equipped industrial kitchen, the approximately 21,000 square foot facility also utilizes CO_2 extraction to produce high-quality medical cannabis products from cannabis biomass including tinctures, vape cartridges, syringes, topicals, concentrates and edibles. Standard Farms OH products are sold and distributed throughout the State of Ohio to other licensed cannabis businesses via wholesale.

On November 7, 2023, Ohio voters approved a ballot measure to legalize recreational marijuana, and adult-use dispensaries are expected to begin operating in the state sometime in 2024.

Cannabis — New York (Operations Discontinued)

In August 2021, the Company, through its subsidiaries SFNY Holdings, Inc. (“SFNY”) and Standard Farms New York LLC (“Standard Farms NY”) formed a partnership with the Shinnecock Indian Nation, a federally recognized Native American tribe, to establish vertical cannabis operations on their tribal territory in Long Island, New York. On September 5, 2023, the Company announced that it was ending its partnership with the Shinnecock Indian Nation and that its subsidiaries SFNY Holdings and SFNY had entered into a membership interest purchase agreement with CGSF Investments, LLC (“CGSF”), a wholly owned subsidiary of PowerFund Holdings II LLC, pursuant to which CGSF acquired from SFNY Holdings all the membership interests in SFNY for the agreed consideration of $1,400. Standard Farms NY held a 75% interest in CGSF Group LLC (“CGSF Group”), which was formed to establish the vertical cannabis operations with the Shinnecock Indian Nation. The Company has no operations in New York following the termination of its partnership with the Shinnecock Indian Nation.

Strategy

The Company provides innovative and cost-effective business solutions to its customers across the cannabis industry value chain. The Company’s core mission is to help its customers build brands by offering unique products, solutions and services that deliver added value to consumers, multi-state cannabis operators, licensed producers and cannabis brands around the globe. The Company believes that its clients rely on the Company for its expertise to help address growing supply chain specialization and complexity in cannabis industry retailing and wholesaling. Further, as a result of its extensive Jupiter customer base and differentiated cannabis value proposition, the Company is well positioned to cross-sell services, creating a flywheel effect and expand brand partnerships between each business division and its respective customers and partners.

Significant Developments in 2023

Please refer to Note 20 — Subsequent Events in this Annual Report on Form 10-K for information regarding developments that occurred subsequent to December 31, 2023.

Debt Refinancing

On November 1, 2019, the Company and its subsidiaries, Jimmy Jang, L.P. ("JJ LP"), Baker Technologies, Inc. and subsidiaries (collectively, "Baker"), CAC, and Jupiter entered into the Junior Secured Note Purchase Agreement (the "2019 Junior Notes NPA") relating to the issuance of junior secured promissory notes (the "2019 Junior Notes"). On February 15, 2023 (the "Effective Date"), the Company and its subsidiaries, JJ LP, Baker, CAC, and Jupiter (collectively, the "Subsidiary Borrowers") entered into a first amendment (the "NPA Amendment") to the 2019 Junior Notes NPA with Jordan Geotas, as the noteholder representative (the "Noteholder Representative") on behalf of the noteholders under the 2019 Junior Notes NPA (the "Holders") and refinanced $38,000 in aggregate principal amount of secured promissory notes issued originally under the 2019 Junior Notes NPA (the "2023 Refinanced Notes"). Neither the Company nor the Subsidiary Borrowers received any new proceeds from the Holders as a result of the NPA Amendment.

The 2023 Refinanced Notes mature on February 15, 2026 and bear interest at 17.0% as of December 31, 2023, payable monthly as a result of the October Forbearance Agreement described below. The interest rate is subject to increase by 1% annually if the aggregate principal amount outstanding under the 2023 Refinanced Notes is greater than $30,000 on the first anniversary of the Effective Date or greater than $22,000 on the second anniversary of the Effective Date.

Pursuant to the NPA Amendment, the Subsidiary Borrowers also issued by way of private placement secured promissory notes (the "2023 New Notes") in the aggregate principal amount of $8,260 to the Holders with a maturity date of February 15, 2027. The consideration for the 2023 New Notes was paid by an offset of an existing unsecured obligation owed by the Subsidiary Borrowers to the Holders. The Noteholder Representative also acts as noteholder representative for the 2023 New Notes. The 2023 New Notes bear interest at 25.0% as of December 31, 2023 as a result of the May Forbearance Agreement discussed below.

The Subsidiary Borrowers are obligated to pay an aggregate of $5,000 of principal on the 2023 Refinanced Notes on each anniversary of the Effective Date of the 2023 Refinanced Notes, as well as an annual payment at the beginning of each calendar year the 2023 Refinanced Notes are outstanding that is equal to 50% of the Company's unrestricted cash greater than $10,000 at the end of the prior calendar year. The Subsidiary Borrowers are also obligated to make mandatory prepayments of net cash proceeds from asset sales, casualty and condemnation awards, future equity or debt issuances and the settlement of certain third-party assets.

No principal payments will be due on the 2023 New Notes before their maturity date unless and until the 2023 Refinanced Notes are paid in full. Once the 2023 Refinanced Notes are paid in full, the Subsidiary Borrowers' obligations to make principal payments will be the same as previously existed under the 2023 Refinanced Notes and described above. Any interest or principal payments under the 2023 New Notes due before the maturity date of the 2023 Refinanced Notes may, at the Subsidiary Borrowers' election, be paid by increasing the principal amount of the 2023 New Notes on a dollar-for-dollar basis.

The 2023 Refinanced Notes and the 2023 New Notes (collectively, the "2023 Notes") are secured by a first priority security interest in all of the assets of the Subsidiary Borrowers, except that the Holders received a second priority security interest in the assets that are already pledged by Jupiter under its revolving credit facility with Entrepreneur Growth Capital, LLC. The 2023 Notes are also guaranteed by the Company and all subsidiaries of the Company. The equity interests in all subsidiaries of the Company have also been pledged as security for the obligations under the 2023 Refinanced Notes.

The Noteholder Representative is required to be paid $2,000 over the term of the 2023 Refinanced Notes in quarterly installments.

The NPA Amendment includes affirmative and negative covenants (including financial maintenance covenants), events of default, representations and warranties that are customary for debt securities of this type. The 2023 Notes may be accelerated and all remedies may be exercised by the Holders in case of an event of default under the 2023 Notes, which includes events that customarily constitute an event of default for debt securities of this type as well as upon a change of control.

In connection with the NPA Amendment, the Company also issued to each Holder a warrant (each a "Debt Modification Warrant," collectively the "Debt Modification Warrants") to purchase 2,421.05 common shares of the Company for every $1 principal amount of the 2023 Refinanced Notes held by each Holder, for a total aggregate of 91,999,901 Debt Modification Warrants. Each Debt Modification Warrant is exercisable at any time prior to its expiration for one common share of the Company at an exercise price of $0.07084 per common share. The Debt Modification Warrants expire on February 15, 2030 and contain customary anti-dilution adjustment provisions.

Completion of Pennsylvania Transaction

On February 15, 2023, the Company completed a sale-leaseback transaction with Innovative Industrial Properties, Inc. ("IIP") of its White Haven, Pennsylvania facility ("White Haven Facility") for $15,000 with net proceeds used towards repayment of debt and working capital (the "Pennsylvania Transaction").

2019 Senior Notes Retired

On February 15, 2023, the Company repaid the remaining balance of the senior secured promissory notes issued on November 1, 2019 (the "2019 Senior Notes"), retiring the remainder of its 2019 senior debt facility previously extended to February 28, 2023, with no further obligations.

Amendment to Revolving Facility

On March 13, 2023, the Company, through its subsidiary Jupiter, entered into an amendment to its existing $10,000 asset-based revolving credit facility (the "Revolving Facility") to increase the amount available under the Revolving Facility to $12,500 and extend the maturity date to July 21, 2024. Additionally, borrowings under the Revolving Facility will bear interest at the prime rate plus 3%, and is secured by Jupiter's inventory, accounts receivable and related property. The amendment also includes a guaranty by the Company in the amount of $6,000.

Bridge Notes

On May 15, 2023, the Company and the Subsidiary Borrowers closed an offering of up to $4,500 in aggregate principal amount of senior secured promissory notes (the "2023 Bridge Notes"), with an original issue discount of approximately $500, allowing access to funding of up to $4,000 from its existing secured note holders to assist with a transition in payment terms of a trade payable with a primary supplier. The 2023 Bridge Notes bore a floating interest rate at the higher of 16% or the prime rate plus 8.5% and matured in December 2023. Starting July 1, 2023, the Subsidiary Borrowers were obligated to pay $750 in amortization payments in addition to interest payments and a monthly payment at the beginning of each calendar month the 2023 Bridge Notes were outstanding that was equal to 50% of the Company's unrestricted cash greater than $10,000 at the end of the prior calendar month. The Subsidiary Borrowers were also obligated to make mandatory prepayments of net cash proceeds from asset sales, casualty and condemnation awards, future equity or debt issuances and the settlement of certain third-party assets.

In connection with the issuance of the 2023 Bridge Notes, the Company entered into a Consent, Confirmation, Limited Waiver And Forbearance Agreement (the "May Forbearance Agreement") with the Noteholder Representative under the 2019 Junior Notes NPA, as amended by the NPA Amendment (the "2019 NPA") relating to the issuance of the 2019 Junior Notes, wherein the Noteholder Representative waived the Subsidiary Borrowers' payment obligations during a forbearance period ending on December 8, 2023 so long as the amounts otherwise due were applied under the Secured Note Purchase Agreement relating to the 2023 Bridge Notes (the "Bridge Notes NPA"), and agreed to waive certain financial covenant defaults expected to occur during the forbearance period as a result of the Company and Subsidiary Borrowers entering into and performing their obligations under the Bridge Notes NPA. The promissory notes issued under the 2019 NPA accrued interest at a default rate (prime rate plus 8.5%, with an additional 8% due to the default) and late fees at the rate of $40 per month were incurred during this forbearance period. All interest payments not made when due during the forbearance period, interest at the default rate accrued thereon, and late fees incurred were to be due and payable at the end of the forbearance period.

On August 30, 2023, the Company completed early repayment in full of the $4,500 in aggregate principal and $89 in accrued interest to settle the 2023 Bridge Notes, retiring them with no further obligations.

Divestiture of Standard Farms New York LLC

On September 1, 2023, SFNY Holdings, a wholly owned subsidiary of the Company, and SFNY, a wholly owned subsidiary of SFNY Holdings, entered into a Membership Interest Purchase Agreement ("MIPA") with CGSF, a wholly owned subsidiary of PowerFund Holdings II LLC. Pursuant to the MIPA, CGSF acquired 100% of the membership interests in SFNY from SFNY Holdings for $1,400 (the "CGSF/SFNY Divestiture"). SFNY's only asset is a 75% interest in CGSF Group LLC ("CGSF"), which was formed to establish vertical cannabis operations on the Shinnecock Nations aboriginal tribal territory in the Hamptons on Long Island, New York. The cannabis project development firm Conor Green Consulting, LLC will continue to hold a 25% minority interest in CGSF. Therefore, CGSF is a consolidated subsidiary of SFNY.

As part of the CGSF/SFNY Divestiture, the Company derecognized its noncontrolling interest in CGSF of $1,267 and a related party note payable of $350, which resulted in a gain of $483. This gain is included in gain (loss) on sale of assets and the membership interests in the consolidated statements of operations and comprehensive loss.

In conjunction with the MIPA, SFNY Holdings and CGSF executed a loan termination agreement on September 1, 2023 to a prior loan made by SFNY Holdings to CGSF that had an original principal balance of up to $18,000, and all of SFNY Holdings and CGSF's obligations under the loan agreement, the related promissory note and any other related loan agreements. No early termination penalties were incurred in connection with this termination.

October Forbearance Agreement

On October 2, 2023, the Company and the Subsidiary Borrowers entered into the Limited Waiver and Continued Forbearance Agreement (the "October Forbearance Agreement") with the Noteholder Representative on behalf of the Holders under the 2019 NPA. The October Forbearance Agreement modified certain terms and conditions of the May Forbearance Agreement, pursuant to which the Noteholder Representative, at the direction of the Holders, provided a limited waiver of certain events of default under the 2023 Refinanced Notes and 2023 New Notes and agreed to forbear exercising certain rights of the Noteholder Representative and Holders. See Note 11 — Notes Payable for additional information.

Significant Developments in 2022

On February 8, 2022, the Company entered into a definitive purchase agreement to exercise its purchase option for ownership of the Taunton Facility for a purchase price of approximately $13,000. Through its subsidiary, CAC, the Company entered into the purchase agreement with the then owner of the Taunton Facility. On May 16, 2022, the Company completed the acquisition of the Taunton Facility through CAC for $13,047 cash consideration. Concurrently with the acquisition, CAC sold the Taunton Facility to Innovative Industrial Properties, Inc. ("IIP") for $40,000 cash consideration. The Company also entered into a long-term lease with IIP for the Taunton Facility with a term of 20 years and a maturity date of May 15, 2042, with two 5-year extensions exercisable at the Company's discretion (the "Massachusetts Lease Liability").

On April 19, 2022, the Company entered into a definitive purchase and sale agreement between its subsidiary, White Haven RE, LLC, and an affiliate of IIP contemplating the sale and leaseback of the Company's cultivation and production facility in White Haven, Pennsylvania in exchange for $15,000 cash. In accordance with the terms of the Pennsylvania Transaction, the Company's subsidiary, Standard Farms PA, executed a long-term, triple-net lease agreement. The term lease agreement was 15 years, with two 5-year extensions exercisable at the tenant's discretion.

On October 24, 2022, the Company's subsidiaries, JJ LP, Baker, Jupiter and CAC (collectively, the "Subsidiaries") and certain holders (the "Participating Note Holders") each entered into the first amendment (collectively, the "First Note Amendments") to the Company's 2019 Senior Notes. The First Note Amendments extended the maturity date of approximately $9,600 in then outstanding principal amount of the 2019 Senior Notes (the "Extended Notes") from November 1, 2022 to November 14, 2022. The First Note Amendments also amended the interest rate so that the Extended Notes will accrue interest at the prime rate plus 8.5%.

Further, on October 24, 2022, the Subsidiaries and the noteholder representative, on behalf of all holders of the outstanding 2019 Senior Notes, entered into the second amendment to the 2019 Senior Notes (the "Second Note Amendment"). The Second Note Amendment clarified that the Participating Note Holders waive any right to pro rata payment for any payments that may be made on the 2019 Senior Notes on or before November 1, 2022. The remaining balance of $7,975 of the 2019 Senior Notes which was not included in the Extended Notes was repaid by the Company on October 27, 2022.

On November 14, 2022, the Subsidiaries and the noteholder representative representing the Participating Note Holders, entered into the third amendment to the 2019 Senior Notes (the "Third Note Amendment"). The Third Note Amendment extended the maturity date of the Extended Notes from November 14, 2022 to December 31, 2022.

On December 30, 2022, the Subsidiaries and the Participating Note Holders entered into the fourth amendment to the 2019 Senior Notes (the "Fourth Note Amendment"). The Fourth Note Amendment extended the maturity date of approximately $2,100 in then outstanding principal amount of the Extended Notes from December 31, 2022 to February 28, 2023.

Additionally, on December 30, 2022, the Company repaid approximately $7,500 of the principal of its remaining 2019 Senior Notes. With the payments described above, the Company successfully retired approximately $33,700 of the $35,800 principal of 2019 Senior Notes that were originally scheduled to mature in November 2022.

Competition

The Company's businesses face competition from companies with varying resources, access to public markets, quality of management, geographic reach and strategic focus.

The Inhalation Technology business competes primarily with distributors of CCELL® vape hardware, and with CCELL's direct sales team, in the U.S. and Canada. The Company also competes with manufacturers of proprietary cannabis vaporization technologies and views manufacturers of tobacco vaporization technologies as potential future competitors. Product quality, innovation, pricing and availability are important differentiating factors in the vaporization hardware market. The Company believes with its commitment to inhalation technology innovation and supply chain management expertise, its highly focused sales team and the ability to deliver industry leading customer service, among other factors, the Company can compete effectively for the wholesale business-to-business ("B2B") of the Company's vape and inhalation customers.

The Company's Cannabis business competes with hundreds of cultivators, manufacturers, distributors and retailers in the Massachusetts, Pennsylvania, and Ohio markets. These competitors range from small family-owned operations to well-capitalized publicly traded multi-state operators. The Company's Cannabis business operates in states with regulations limiting the number of cannabis licenses that will be awarded, representing a barrier to entry for potential new market participants. The Company believes its partnerships with strong third-party brand companies seeking a presence in the state markets where it operates allows the Company's Cannabis business to compete in each market. The Company utilizes its in-house expertise on behalf of its brand partners to receive product approvals, scale up production and sell products with effective promotion, packaging, pricing, placement and inventory availability and then bring these brands to market through its wholesale distribution channel.

As cannabis remains federally illegal in the U.S., businesses seeking to enter the industry face challenges when accessing capital. At present, relatively few sources of debt or equity capital and bank lending are available to fund operations in the U.S. cannabis sector. Management believes that significant capital and expertise would be required to replicate the Company's assets and capabilities, which are focused on providing business solutions to B2B customers building enduring brands in the highly competitive U.S. cannabis market, and to effectively compete with the Company.

Intellectual Property

The Company has developed multiple proprietary product features, technologies and processes to ensure the protection of its innovative and quality products. These proprietary technologies and processes include its cultivation and extraction techniques, product formulations and delivery and monitoring systems. While actively pursuing the patenting of these processes and materials, the Company ensures confidentiality through the use of non-disclosure and/confidentiality agreements.

Jupiter has spent considerable time and resources to establish a premium and recognizable brand amongst consumers and retailers in the cannabis industry. All issued patent and trademarks are further described below. The Company maintains an in-house legal team, as well as engages outside legal counsel, to actively monitor and identify potential infringements on Jupiter's intellectual property.

Patents

As of December 31, 2023, Jupiter had 16 issued patents and 18 pending U.S. and international patent applications for its vaporizer devices and systems. The following table represents issued patents as of December 31, 2023:

	Country	Patent No.	Issued Date	Title
1	U.S.	D800310	October 17, 2017	Electronic Vaporizer
2	U.S.	10398178	September 3, 2019	Electronic Vaporizer
3	U.S.	10750788	August 25, 2020	Electronic Vaporizer
4	U.S.	11044943	June 29, 2021	Electronic Vaporizer
5	U.S.	D908278	September 21, 2020	Electronic Vaporizer
6	U.S.	10689243	June 23, 2020	Metered Dispensing Device for Plant Extracts
7	U.S.	10875759	September 10, 2020	Metered Dispensing Device for Plant Extracts
8	European Union	DM/212544	February 5, 2021	Monolithic Electronic Vaporizer
9	U.S.	D942,677	February 1, 2022	Liquid Medical Device
10	European Union	DM/214262	May 19, 2021	Liquid Medical Device
11	Australia	202110730	May 14, 2021	Liquid Medical Device
12	U.S.	11297879	April 12, 2022	Pod Vaping System
13	U.S.	11131612	April 26, 2022	Metered Dispensing Device for Plant Extracts
14	U.S.	D948,783	April 12, 2022	Monolithic Electronic Vaporizer
15	U.S.	3072947	January 24, 2023	Metered Dispensing Device for Plant Extracts
16	U.S.	11606974	March 21, 2023	Infinity Cartridge for Vaping Device

Trademarks

Additionally, as of December 31, 2023, Jupiter had eight registered and 11 pending trademarks with the U.S. Patent and Trademark Office ("USPTO"), all pertaining to use of the Jupiter brands and related goods associated with the Jupiter brands and/or names. The following table represents registered trademarks as of December 31, 2023:

	Country	Registration Number/ Serial Number	Registration Date	Mark
1	U.S.	5326028	October 31, 2017	Liquid
2	U.S.	5367649	January 2, 2018	Liquid 9
3	U.S.	5218409	June 6, 2017	Tear Shape (design)
4	U.S.	5941427	December 24, 2019	Klik
5	Canada	1154585	December 1, 2022	Infinity
6	European Union	18054132	September 5, 2019	Infinity
7	U.S.	6790076	July 12, 2022	Liquid Que
8	U.S.	6609388	January 4, 2022	Dose-cti

Environmental

All dollar amounts expressed in thousands, except per share amounts

The Company recognizes the importance of climate change and the potential risks it poses to our business and the environment. We are committed to playing our part in mitigating climate change by monitoring our greenhouse gas (GHG) emissions, minimizing our environmental footprint, and promoting sustainable practices within our operations. We understand that climate change presents both risks and opportunities to our business. We recognize that climate-related risks may include changing weather patterns, water scarcity, and regulatory developments related to GHG emissions and energy consumption. These risks can affect our supply chain, cultivation processes, and distribution networks, potentially impacting our financial performance. On the other hand, we see climate-related opportunities in adopting sustainable practices, developing innovative solutions, and embracing renewable energy sources. By proactively managing climate-related risks and identifying climate-related opportunities, we aim to enhance our resilience, reduce costs, and create long-term value for our shareholders. We believe compliance with federal, state, and local environmental laws and regulations do not have a material effect or pose material costs to the Company.

Human Capital Resources

When it comes to recruiting and retaining top talent, the Company strives to be an employer of choice. The Company's organizational culture is led by defined core values, including productivity, profitability and growth. The Company's aim is to offer a culture and careers that raise the standard of employment success, where taking care of its people and doing what's right for the business are complementary imperatives.

As of December 31, 2023, Company employees worked within five divisions: Corporate Headquarters, Jupiter, Cannabis Massachusetts, Cannabis Pennsylvania, and Cannabis Ohio. The Company's workforce has 358 workers in total, of which 341 workers are full-time. The combination of employees working onsite and remotely covers 18 states, plus Toronto, Canada.

The Company has a strong, employee-centered culture built by inspiring people. The Company is committed to sustaining a business environment that is respectful, welcoming, equitable and supportive for a diverse range of people. By fostering diversity and leveraging the value of diversity with equity and inclusion, the Company drives better ideas, positive business results and improved service through a deeper connection with the Company's customers. The Company is formulating strategies and tactics to leverage diversity, equity and inclusion in the Company's workplace, workforce, customers, communities and vendors. As of December 31, 2023, women and people of color (racial/ethnic minority groups) comprise 51% of the Company's workforce; 44% in management and 29% in senior management. People with disabilities and military veterans make up 11% and 3% of the Company's workforce, respectively. The Company has no unionized locations.

Legal and Regulatory Matters

Regulatory Overview

In accordance with Staff Notice 51-352 Issuers with U.S. Marijuana-Related Activities (the "Staff Notice"), below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently involved through its subsidiaries. The Company or its subsidiaries are, recently were or are expected to be directly engaged in the manufacture, possession, use, sale or distribution of cannabis in the states of Massachusetts, Pennsylvania and Ohio. The Company is in compliance with the applicable state regulatory framework and licensing requirements for each of the states of Massachusetts, Pennsylvania and Ohio.

The Company also has ancillary involvement in the marijuana industry through the products and services it provides to customers in the following states and U.S. territories: Alabama, Alaska, Arizona, Arkansas, California, Colorado, Connecticut, Delaware, District of Columbia, Florida, Georgia, Hawaii, Indiana, Illinois, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Carolina, North Dakota, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Puerto Rico, South Carolina, Tennessee, Texas, Utah, Vermont, Virginia, Washington, Wisconsin and West Virginia. The Company is not aware of any non-compliance by its customers with any applicable licensing requirements or regulatory framework enacted by each of these respective states.

In accordance with the Staff Notice, the Company will evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended to investors in public filings, including in the event of government policy changes or the introduction of new or amended guidance, laws or regulations regarding marijuana regulation. Any non-compliance, citations or notices of violation which may have an impact on the Company's licenses, business activities or operations will be promptly disclosed by the Company.

Regulation of Cannabis in the U.S. Federally

The U.S. federal government regulates drugs through the CSA (21 U.S.C. § 811). Pursuant to the CSA, cannabis is classified as a Schedule I controlled substance. A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the U.S., lacks safety for use under medical supervision and has a high potential for abuse. The DOJ defines Schedule I drugs, substances or chemicals as "drugs with no currently accepted medical use and a high potential for abuse."

The FDA has not approved cannabis as a safe and effective drug for any use.

Canada has federal legislation which uniformly governs the cultivation, processing, distribution, sale and possession of both medical and recreational cannabis under the Cannabis Act, as well as various provincial and territorial regulatory frameworks that further govern the distribution, sale and consumption of recreational cannabis within the applicable province or territory. In contrast, cannabis is only permissively regulated at the state level in the U.S.

State laws in the U.S. regulating cannabis are in direct conflict with the CSA, which prohibits cannabis use and possession. Although certain states and territories of the U.S. authorize medical and/or recreational cannabis cultivation, manufacturing, production, distribution and sales by licensed or registered entities, under U.S. federal law, the cultivation, manufacture, distribution, possession, use, and transfer of cannabis and any related drug paraphernalia, unless specifically exempt, is illegal and any such acts are criminal acts under the CSA. Although the Company's activities are compliant with applicable U.S. state laws, strict compliance with state laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law, nor may it provide a defense to any federal proceeding which may be brought against the Company.

The risk of federal enforcement and other risks associated with the Company's business are described in Item 1A. *Risk Factors* in this Annual Report on Form 10-K.

Legal Advice in Accordance with the Staff Notice

Legal advice has been obtained by the Company regarding applicable U.S. federal and state law.

Regulation of Cannabis at State Levels

Below is a summary of the licensing and regulatory framework in the markets where, as of December 31, 2023, the Company held licenses and had direct or indirect involvement with the U.S. cannabis industry, followed by outlines of the regulatory framework in each of the relevant states.

State	License Type Held Directly and Indirectly by Company	Number of Licenses Allowed by Law in State	Number of Licenses/Applications Arising Out of Company Direct and Indirect Involvement
Massachusetts	Vertically Integrated Medical Marijuana Treatment Center Cultivator, Product Manufacturer, Retailer (Adult-Use)	A person or entity having direct or indirect control may not hold more than three licenses of the same license type	3 Medical Marijuana Treatment Center Final licenses with authorization to commence operations (all operational); 4 adult-use Marijuana Establishment Final licenses with authorization to commence operations (1 cultivator license; 1 product manufacturer license; and 2 retailer licenses - all operational)
Ohio	Stand Alone Processor (Medical)	A person, entity or subsidiary thereof may only hold a financial interest in or be an owner of one processor license	1 license
Pennsylvania	Grower/Processor (Medical)	A person may only be issued one grower/processor license	1 license

Massachusetts

Massachusetts became the eighteenth state to legalize medical marijuana when voters passed a ballot measure in 2012. Adult-use (recreational) marijuana is legal in Massachusetts as of December 15, 2016, following the passage of a ballot initiative in November of that year. The Cannabis Control Commission ("CCC"), a regulatory body created in 2016, oversees both the Medical Use of Marijuana Program and the Adult Use of Marijuana Program.

Under the Medical Use of Marijuana Program, a Medical Marijuana Treatment Center ("MTC") is required to be vertically integrated, such that a single MTC license holder must cultivate, manufacture and dispense medical marijuana and marijuana products to registered, qualifying patients and personal caregivers. Pursuant to the CCC's regulations, no Person or Entity Having Direct or Indirect Control over the MTC's operations may be granted or hold more than three MTC Licenses.

Under the Adult Use of Marijuana Program, vertical integration is not required, and therefore multiple types of adult-use Marijuana Establishment ("ME") licenses exist. The Marijuana Cultivator (Indoor or Outdoor), Marijuana Product Manufacturer and Marijuana Retailer licenses cover the three main operational license types (cultivation, manufacturing and retail sales). ME Licenses, subject to certain ownership requirements, are also available for Independent Testing Laboratories, Marijuana Research Facilities, Marijuana Transporters (Third-Party or Existing Licensee), Craft Marijuana Cooperatives, Marijuana Couriers, Marijuana Delivery Operators, Social Consumption Establishments (once authorized by municipalities and an application is released by the CCC) and Marijuana Microbusinesses. No Person or Entity Having Direct or Indirect Control over the ME's operations may be granted or hold more than three licenses in a particular class of license, except as otherwise specified in the applicable regulations. In addition, any Person or Entity Having Direct or Indirect Control, or Licensee, is limited to a total of 100,000 square feet of cultivation "canopy" distributed across no more than three adult-use Marijuana Cultivator Licenses and three MTC Licenses.

The Company, through its wholly owned subsidiary CAC, holds three operational vertically integrated MTC licenses, with medical dispensary locations in Brockton, Taunton and Cambridge, and medical cultivation and product manufacturing operations in Taunton. CAC has also received final licenses (including authorization to commence operations) for its adult-use retailer operations in Taunton and Brockton, as well as its adult-use cultivator and product manufacturer operations in Taunton. The Company is in compliance with Massachusetts state law and the related licensing framework.

Ohio

On June 8, 2016, former Ohio Governor John Kasich signed House Bill ("HB") 523 into law, sanctioning the use of marijuana for limited medical purposes and establishing a commercial marijuana regulatory regime. Qualifying conditions for access to medical marijuana under the program include, but are not limited to, chronic and severe pain, post-traumatic stress disorder and cancer. Ohio's medical cannabis program is regulated by both the Ohio Department of Commerce ("Department of Commerce") and the Ohio Board of Pharmacy ("Ohio Board"). The Department of Commerce is responsible for licensing cultivators, processors and testing laboratories, while the Ohio Board is responsible for registering patients and caregivers as well as licensing medical marijuana dispensaries. Final regulations governing the program, including applications for business licensure, the operation of commercial medical cannabis establishments, physician certifications and patient registration have been adopted.

Ohio's medical cannabis program allows businesses to be structured as for-profit entities and does not impose residency requirements for investment or ownership in a commercial cannabis license. Ohio's licensing structure permits, but does not require, vertical integration. Each license (cultivation, processor and dispensary) is issued on an individual basis for each facility type/function. There are three different types of processors — stand-alone, vertically integrated facilities and a plant-only processor, which is a cultivator who distributes plant material directly to dispensaries. Common ownership between cultivation, processing and dispensing licenses is permitted, but prohibited for cannabis testing licensees. However, no one entity or person may own, have a financial interest in or significantly influence or control the activities of more than one cultivation license, more than one processing license or more than five dispensary licenses at any given time.

In March 2021, the Company completed its acquisition of Standard Farms OH, a licensed stand-alone processor in Ohio. Standard Farms OH engages in the production, possession, use, sale and distribution of cannabis products in Ohio's medicinal cannabis marketplace. The Company is in compliance with Ohio state law and the related licensing framework.

On July 4, 2023, HB 33 went into effect, which moved the regulation of the cannabis industry from the State Board of Pharmacy to the Division of Marijuana Control in the Department of Commerce.

On November 7, 2023, Ohio Issue 2, the Adult-Use Legalization Ballot Initiative ("Issue 2"), which allows persons who are at least 21 years of age to purchase and possess up to 2.5 oz of flower and 15 grams of extract, passed. Ohio does not have laws against legislative alteration, which means the state legislature may make changes to the ballot initiative language. Issue 2 establishes the Division of Cannabis Control ("Division") within the Department of Commerce. The Division will have the authority to license, regulate, investigate, and enforce rules on adult-use cannabis licensees. Within six months of the effective date of Issue 2 (June 7, 2024) the Division must make applications available and within nine months (September 7, 2024) the Division must issue licenses to existing medical operators transitioning to adult use.

Pennsylvania

In April 2016, Pennsylvania's Governor Tom Wolf signed the Commonwealth's first medical marijuana bill into law. The medical program created a commercial system for a limited number of businesses and permits physicians to recommend cannabis for a limited number of qualifying conditions. The Pennsylvania Department of Health ("PA DOH") regulates medical marijuana businesses in the Commonwealth and issues two types of primary permits: a medical marijuana grower/processor permit and a medical marijuana dispensary permit. The PA DOH also issues a third type of permit called a clinical registrant permit. The clinical registrant permit is a combination of a grower/processor permit and a dispensary permit that is limited to applicants who have established a partnership with an accredited medical school in Pennsylvania.

For licensing purposes, the PA DOH split the Commonwealth into six regions. The state initially limited the total number of medical marijuana organizations to twenty-five grower/processors and fifty dispensaries Commonwealth-wide. Each dispensary is permitted to have up to three dispensary sites for a total of 150 potential dispensary locations throughout Pennsylvania. For each dispensary permit, the locations must be within the region where the permit was awarded. For medical marijuana grower/processors, the location is limited to the region where the permit was awarded, but distribution is permissible across all regions. The PA DOH may approve up to ten clinical registrants, with each eligible for only one grower/processor permit and one dispensary permit (each clinical registrant may provide medical marijuana at up to six dispensary locations). Residency is not required to operate a medical marijuana organization in Pennsylvania. Vertical integration is limited, as the PA DOH may not issue more than five grower/processor businesses dispensary permits. In addition, a single entity may not hold more than one grower/processor permit nor more than five dispensary permits.

In June 2021, Governor Wolf signed HB 1024, into law expanding the ability of patients to access medical cannabis and extending certain policies that were temporarily enacted during the beginning of the COVID-19 pandemic. Under HB 1024, the maximum number of clinical registrants was expanded from eight to ten. Additionally, dispensaries are allowed to offer cannabis curbside deliveries; patients can obtain a ninety day instead of the previous thirty-day supply for cannabis and the five person cap on the number of patients that a caregiver can serve was removed indefinitely. Patients can also now consult with authorizing physicians via video conferencing. The law also expanded the pool of eligible conditions to include cancer remission therapy and CNS-related neuropathy as well as eliminated provisions that previously required chronic pain patients to try conventional prescription pain medications prior to using cannabis. Additionally, the law makes it easier for grower/processors to process marijuana that failed tests for yeast and mold into products that are topical in form. The law also expands the number of research facilities that are studying patient response to medical marijuana.

In July 2022, Governor Wolf signed HB 311, which provides additional protections under Pennsylvania law for financial institutions and insurers providing services to, or for the benefit of, a “legitimate cannabis-related business.” HB 311 also explicitly states that financial institutions and insurers are not obligated to provide services to cannabis businesses within the Commonwealth. Additionally, HB 311 requires cannabis businesses that are receiving financial or insurance services from a provider within Pennsylvania to disclose any suspension or revocation of cannabis-related permits, registrations, or certifications to the financial institution and/or insurer within five business days.

In October 2022, the PA DOH finalized its medical marijuana regulations. These final regulations mirror the temporary regulations and reflect the PA DOH’s efforts to keep pace with the growth and evolution of the medical marijuana program. The final regulations include the following notable updates:

- Expanded packaging and labeling requirements, including that labels must contain the species and percentages of all cannabinoids and individual terpenes.
- Clarification that a grower/processor must notify the PA DOH within 48 hours of any anticipated increases or decreases in production.
- Revised facility signage requirements.
- Revised definition of “medical marijuana waste” to exclude unopened, briefly misdirected medical marijuana products (thereby eliminating the requirement that the grower/processor destroy such misdirected products).
- Reduced video surveillance footage storage period from two years to 180 days.
- Grower/processors must use separate testing laboratories for harvest and process testing.
- Growers/processors must “immediately” investigate complaints and the PA DOH may initiate a mandatory recall upon receipt of information that any medical marijuana product poses a risk to public health and safety.
- Owners of securities in a publicly traded corporation or owners of 5% or less in privately held business entities who do not have voting rights to elect or appoint one or more members of the board of directors or other governing board are exempt from the background check requirement.
- Clarification on the procedure for notifying the DOH of changes of ownership.

- Clarification on the procedure for applying to the DOH for changes of location of an operational facility.
- New process for changing the location of a non-operational facility.

In Pennsylvania, the Company holds a medical marijuana grower/processor license through its wholly owned subsidiary, Standard Farms PA, which operates 33,500 square feet of greenhouse. The Company is in compliance with Pennsylvania state law and the related licensing framework.

Company Compliance Program

The Company is classified as having direct, indirect and ancillary involvement in the U.S. marijuana industry and is in material compliance with applicable licensing requirements and the regulatory framework enacted by each U.S. state in which it operates. The Company is not subject to any citations or notices of violation with applicable licensing requirements, or the regulatory framework enacted by each applicable U.S. state which may have an impact on its licenses, business activities or operations.

The Company's Chief Executive Officer ("CEO") or any other individual appointed by the CEO oversees, maintains, and implements the Company's compliance program and personnel. In addition to the Company's internal legal and compliance departments, the Company has state and local regulatory/compliance counsel engaged in every jurisdiction in which it operates.

The Company's CEO or any other individual appointed by the CEO oversees compliance training for all employees, such training includes, but is not limited to, on the following topics:

- compliance with state and local laws;
- safe cannabis use;
- dispensing procedures;
- security and safety policies and procedures;
- inventory control;
- seed-to-sale training sessions;
- recordkeeping;
- responsible vendor training;
- quality control;
- transportation procedures; and
- extensive ingredient and product testing, often beyond that required by law to assure product safety and accuracy.

The Company's compliance program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery by a licensed distributor to sale or disposal. Only authorized and properly trained employees are allowed to access the Company's computerized seed-to-sale system.

The Company's CEO or anyone appointed by the CEO monitors all compliance notifications from the regulators and inspectors in each market, timely resolving any issues identified. The Company keeps records of all compliance notifications received from the state regulators or inspectors and how and when the issue was resolved.

Further, the Company has created comprehensive standard operating procedures that include detailed descriptions and instructions for receiving shipments of inventory, inventory tracking, recordkeeping and record retention practices related to inventory, as well as procedures for handling cash, performing inventory and cash reconciliation, ensuring the accuracy of inventory tracking and recordkeeping. The Company maintains accurate records of its inventory at all licensed facilities. Adherence to the Company's standard operating procedures is mandatory and ensures that the Company's operations are compliant with the applicable state and local laws, regulations, ordinances, licenses, rules and other requirements. The Company ensures adherence to standard operating procedures by regularly conducting internal inspections and ensures that any issues identified are resolved quickly and thoroughly.

In January 2018, U.S. Attorney General, Jeff Sessions rescinded the Cole Memorandum. The rescission of the Cole Memorandum and other Obama-era prosecutorial guidance did not create a change in federal law, as the Cole Memorandum was never legally binding; however, the revocation removed the DOJ's guidance to U.S. Attorneys that state-regulated cannabis industries operating substantively in compliance with the Cole Memorandum's guidelines should not be a prosecutorial priority. As an industry best practice, despite the rescission of the Cole Memorandum, the Company continues to do the following to ensure compliance with the guidance provided by the Cole Memorandum:

- ensure the operations of its subsidiaries and business partners are compliant with all licensing requirements that are set forth with regards to cannabis operation by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions. To this end, the Company retains appropriately experienced legal counsel to conduct the necessary due diligence to ensure compliance of such operations with all applicable laws and regulations;
- the activities relating to cannabis business adhere to the scope of the license obtained — for example, in the states where only medical cannabis is permitted, the products are only sold to patients who hold the necessary documentation to permit the possession of the cannabis; and in the states where cannabis is permitted for adult recreational use, the products are only sold to individuals who meet the requisite age requirements;
- the Company only works through licensed operators, which must pass a range of requirements, adhere to strict business practice standards and be subjected to strict regulatory oversight whereby sufficient checks and balances ensure that no revenue is distributed to criminal enterprises, gangs and cartels; and
- the Company conducts reviews of products, product packaging and transactions to ensure that the products comply with applicable regulations, contain necessary disclaimers about the contents of the products and provide requisite educational material to mitigate adverse public health consequences from cannabis use and prevent impaired driving.

On November 7, 2018, Jeff Sessions resigned from his position as Attorney General. The next Attorney General, William Barr, stated that he does not intend "go after" parties who are involved in the cannabis business and are compliant with state law in reliance on the Cole Memorandum. Under President Biden's administration and his appointed Attorney General, Merrick Garland, DOJ rhetoric around cannabis has largely returned to the Obama-era rhetoric even if a new prosecutorial guidance memorandum has not been re-issued. During his Senate confirmation, Merrick Garland told Senator Cory Booker (D-NJ) that, "It does not seem to me useful the use of limited resources that we have to be pursuing prosecutions in states that have legalized and are regulating the use of marijuana, either medically or otherwise." Such statements are not official declarations or policies of the DOJ and are not binding on the DOJ, on any U.S. Attorney or on the U.S. federal courts, and substantial uncertainty regarding U.S. federal enforcement remains.

To date, there has been no new federal cannabis memorandums issued by the Biden Administration or any published change in federal enforcement policy. Regardless, the federal government of the U.S. has always reserved the right to enforce federal law regarding the sale and disbursement of medical or recreational marijuana, even if state law sanctioned such sale and disbursement. Although the rescission of the Cole Memorandum does not necessarily indicate that marijuana industry prosecutions are now affirmatively a priority for the DOJ, there can be no assurance that the U.S. federal government will not enforce such laws in the future.

In the absence of a uniform federal policy, as had been established by the Cole Memorandum, numerous U.S. Attorneys with state-legal marijuana programs within their jurisdictions have announced enforcement priorities for their respective offices. For instance, Andrew Lelling, former U.S. Attorney for the District of Massachusetts through February 2021, stated that while his office would not immunize any businesses from federal prosecution, he anticipated focusing the office's marijuana enforcement efforts on: (1) overproduction; (2) targeted sales to minors; and (3) organized crime and interstate transportation of drug proceeds. Other U.S. Attorneys provided less assurance, promising to enforce federal law, including the CSA in appropriate circumstances.

The Company will continue to monitor compliance on an ongoing basis in accordance with its compliance program and standard operating procedures. While the Company's operations are in full compliance with all applicable state laws, regulations and licensing requirements, such activities remain illegal under U.S. federal law. For the reasons described above and the risks further described in the *Risk Factors* section below, there are significant risks associated with the business of the Company. Readers are strongly encouraged to carefully read all of the risk factors contained in Item 1A. *Risk Factors* in this Annual Report on Form 10-K.

The Company's Balance Sheet and Operating Statement Exposure to U.S. Marijuana Related Activities

The following represents the portion of certain line items on the Company's consolidated financial statements that pertain to U.S. cannabis activity for the year ended December 31, 2023:

	U.S. marijuana-related activities	
Balance Sheet line items	**Licensed[1]**	**Unlicensed[2]**
Cash and cash equivalents	40%	14%
Trade receivables and others	11%	89%
Inventories	66%	34%
Other current assets	25%	26%
Property, plant and equipment	99%	1%
Intangible assets	7%	93%
Goodwill	0%	100%
Other assets	75%	3%
Accounts payable and accrued liabilities	13%	76%
Income taxes	0%	4%
Other current liabilities	3%	46%
Other long-term liabilities	61%	0%
Income Statement line items		
Revenue	29%	71%
Gross profit	9%	91%
Operating expenses	40%	36%
Total other income (expense)	41%	13%
Income tax expense	0%	99%

Readers are cautioned that the foregoing financial information, though extracted from the Company's financial systems that supports its annual consolidated financial statements, has not been audited in its presentation format and accordingly is not in compliance with the consolidation principles of generally accepted accounting principles of the U.S.

Available Information

The Company's website address is www.tiltholdings.com. Through this website, the Company's filings with the U.S. Securities and Exchange Commission ("SEC"), including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as well as proxy statements and other documents, are accessible (free of charge) as soon as reasonably practicable after materials are electronically filed or furnished to the SEC. The information provided on the Company's website is not part of this or any other report we file or furnish to the SEC. The SEC also maintains a website that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC. The Company's filings with the SEC are available to the public on the SEC's website at www.sec.gov. Additional information related to the Company is also available on the System for Electronic Document Analysis and Retrieval Plus ("SEDAR+") at www.sedarplus.com.

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[1] Licensed activity includes those U.S. marijuana-related activities that have, in accordance with CSA Staff Notice 51-352 (Revised) Issuers with U.S. Marijuana-Related Activities, "licensing requirements and the regulatory framework enacted by the applicable U.S. state."
[2] Unlicensed activity includes those U.S. marijuana-related activities that do not have, in accordance with CSA Staff Notice 51-352 (Revised) Issuers with U.S. Marijuana-Related Activities, "licensing requirements and the regulatory framework enacted by the applicable U.S. state."

All dollar amounts expressed in thousands, except per share amounts

ITEM 1A. RISK FACTORS

The risks and uncertainties described below could materially and adversely affect our business, financial condition and results of operations and could cause actual results to differ materially from our expectations. The risk factors described below include the considerable risks associated with the current economic environment and the related potential adverse effects on our financial condition and results of operations. You should read these risk factors in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our Consolidated Financial Statements and related notes for the fiscal year ended December 31, 2023. There also may be other factors that we cannot anticipate or that are not described in this report generally because we do not currently perceive them to be material. Those factors could cause results to differ materially from our expectations.

Summary of Risk Factors

Our business is subject to a number of risks and uncertainties which you should evaluate before making a decision to invest in our common shares. This summary does not address all of the risks related to our business. Additional discussion of the risk summaries may be found under the "*Risk Factors*" section and elsewhere in this Annual Report on Form 10-K, and should be carefully considered before making a decision to invest in our common shares. These risks include, among others:

- Some of our current and planned business activities, while compliant with applicable U.S. state and local law, are illegal under U.S. federal law.
- We are dependent on regulatory approvals and licenses to conduct our business, and there is no assurance that our licenses will be issued, extended or renewed by each applicable regulatory authority.
- The success of our business strategy depends on the legality of the cannabis industry, which industry is subject to change at both the state and federal level.
- Our growth and development may be hindered by applicable limitations on ownership of licenses.
- We are subject to those risks inherent in an agricultural business.
- Due to the classification of cannabis as a Schedule I controlled substance under the CSA, third parties may fail to establish or maintain business relationships with us, which could have a material adverse effect on us, and banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes, and if we do not have access to any banking system in the jurisdiction in which we operate, our business and operations could be materially adversely affected.
- If our operations were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under federal statutes noted or any other applicable legislation, which could restrict or otherwise jeopardize our ability to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada, and subject us to civil and/or criminal penalties.
- Reclassification of cannabis in the U.S. could adversely impact our business and growth strategy.
- We may be subject to federal and state forfeiture laws which, if exercised, could have a material adverse impact on our operations.
- The results of future clinical research may be unfavorable to cannabis which may have a material adverse effect on the demand for our products.
- Our operations in the U.S. and any future operations or investments may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada.
- Regulatory changes may adversely affect our profitability or cause us to cease operations entirely.
- We may incur significant tax liabilities due to limitations on tax deductions and credits under the applicable sections of the Internal Revenue Code.
- We may not be able to accurately forecast our operating results and plan our operations due to uncertainties in the cannabis industry.
- If we were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to our U.S. operations, which would materially adversely affect our prospects and the rights of our

lenders and securityholders.

- Public opinion and perception may significantly influence government policy and regulation of the cannabis industry, which could have a material adverse effect on our business, results of operations and prospects.
- We face risks due to industry immaturity or limited comparable, competitive or established industry best practices.
- We may face opposition from other industries, which could have an adverse impact on our business.
- We face intense competition from other companies and increasing legalization of cannabis and rapid growth and consolidation in the cannabis industry may further intensify competition.
- There remains doubt and uncertainty that we will be able to legally enforce contracts we enter into.
- We are subject to changes in laws, regulations and guidelines which could adversely affect our future business, financial conditions and operations.
- Any failure on our part to comply with applicable regulations could prevent us from being able to carry on our business.
- A drop in the wholesale or retail price of cannabis products in the geographic areas in which we operate would negatively impact our business, financial condition and results of operations.
- The future growth of the Company depends on the effectiveness and efficiency of its advertising and promotional expenditures to attract and retain customers.
- The Company depends on the popularity and acceptance of its brand portfolio.
- Future research may lead to findings that vaporizers, electronic cigarettes and related products are not safe for their intended use.
- There is substantial doubt about our ability to continue as a going concern, and holders of our common shares could suffer a total loss of their investment. If we are unable to achieve our financial projections, we may need to raise additional capital to continue our operations. Such capital may not be available to us or may not be available at terms we deem acceptable, either of which could reduce our ability to compete and could negatively affect our business.
- Our business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labor disputes and changes in the regulatory environment.
- Our business is dependent on skilled labor, equipment, parts, components and key inputs and any interruption or disruption could have a material adverse effect on our business, financial condition and results of operations.
- Our reliance on third-party suppliers and loss of these suppliers, manufacturers and contractors may have a material adverse effect on our business and operational results.
- We have incurred substantial indebtedness that may adversely affect our business, financial condition and results of operations and we may not be able to refinance, extend or repay this indebtedness on a timely basis or at all.
- The agreements governing our indebtedness contain various covenants that limit management's discretion in the operation of our business and any default under our debt agreements could have a material adverse impact on our business and operations.
- We may not be able to generate sufficient cash flow to meet our debt service requirements and repayment requirements and if our lenders exercise their rights in the event of a default it would have material adverse effect on our business, capital, financial condition and prospects and we would likely be forced to seek bankruptcy protection.
- Mark Scatterday has significant influence over the Company and may have interests that conflict with those of our other shareholders.
- We expect to incur significant ongoing costs and obligations related to our investment in infrastructure, growth, regulatory compliance and operations.
- There is no assurance that we will be able to develop our products, which could prevent us from ever becoming profitable.
- There is no assurance that our cash flows and debt or other financing will be sufficient to fund our operations.
- We are a holding company and are dependent on the earnings and distributions by our subsidiaries.
- We are exposed to the risk that our employees, independent contractors and consultants may engage in fraudulent

or other illegal activity.

- We have been or may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on our reputation, business, results from operations and financial condition.
- We may encounter unknown environmental risks.
- We are highly dependent on certain key personnel and if we are unable to attract and retain key personnel, we may not be able to compete effectively in the cannabis market.
- The market price of our securities may continue to be volatile and subject to wide fluctuations.
- The Company has a history of losses and may continue to incur losses in the future.
- Product recalls could result in a material and adverse impact on our business, financial condition and results of operations.
- Our officers and directors may be engaged in a range of business activities which could result in a conflict of interest.
- Management may not be able to successfully implement and maintain adequate internal controls over financial reporting.
- Increased prices and inflation could negatively impact our margin performance and our financial results.
- We may be subject to risks related to the protection and enforcement of our intellectual property rights and may become subject to allegations that we are in violation of intellectual property rights of third parties.
- We are reliant on information technology systems and may be subject to damaging cyber-attacks or security breaches.
- We are subject to data privacy laws, rules and regulations and any non-compliance with such laws, rules and regulations, could adversely affect our business, financial condition and operating results.
- We may not be able to successfully identify and execute future acquisitions or dispositions, or to successfully manage the impacts of such transactions on our operations.
- We may not be able to effectively manage our growth and operations, which could materially and adversely affect our business.

Risks Related to Regulation and the Cannabis Industry

Some of our current and planned business activities, while compliant with applicable U.S. state and local law, are illegal under U.S. federal law.

We are engaged in the manufacturing, management, packaging/labeling, advertising, sale, transportation, storage and disposal of cannabis and are subject to laws and regulations relating to drugs, controlled substances, health and safety, the conduct of operations and the protection of the environment. Because the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal under U.S. federal law, and any such acts are criminal acts under federal law under any and all circumstances under the CSA, an investor's contribution to and involvement in such activities may result in federal civil and/or criminal prosecution, including forfeiture of the investors' entire investment. We may also be deemed to be aiding and abetting illegal activities through the contracts we have entered into and the products that we intend to provide. As a result, U.S. law enforcement authorities, in their attempt to regulate the illegal use of cannabis and any related drug paraphernalia, may seek to bring an action or actions against us, including, but not limited to, aiding and abetting another's criminal activities. The U.S. federal aiding and abetting statute provides that anyone who "commits an offense against the U.S. or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result of such an action, we may be forced to cease operations and be restricted from operating in the U.S., and our investors could lose their entire investment. Such an action would have a material negative effect on our business and operations.

Because the cannabis industry remains illegal under U.S. federal law, any property owned by participants in the cannabis industry which are either used in the course of conducting such business, or are the proceeds of such business, could be subject to seizure by law enforcement and subsequent civil asset forfeiture. Even if the owner of the property was never charged with a crime, the property in question could still be seized and subject to an administrative proceeding by which with minimal due process, it could be subject to forfeiture.

In addition, companies providing goods and/or services to companies like us that are engaged in cannabis- related activities may, under threat of federal civil and/or criminal prosecution, suspend or withdraw their services. Any suspension of service and inability to procure goods or services from an alternative source, even on a temporary basis, could have a material and adverse effect on our business, financial condition and results of operations.

We are dependent on regulatory approvals and licenses to conduct our business, and there is no assurance that our licenses will be issued, extended or renewed by each applicable regulatory authority.

Our ability to grow, store and sell cannabis in the U.S. is dependent on our ability to obtain licenses in the relevant state and local jurisdictions to do so. We will be required to obtain or renew further government permits and licenses for our contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, involving public hearings and costly undertakings on our part. The duration and success of our efforts to obtain, amend and renew permits and licenses will be contingent upon many variables outside our control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. We may not be able to obtain, amend or renew permits or licenses that are necessary to our operations. Any unexpected delays or costs associated with the permitting and licensing process could impede our ongoing or proposed operations. To the extent permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, we may be curtailed or prohibited from proceeding with our ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on our business, financial condition, results of operations or prospects.

There is no assurance that our licenses will be issued, extended or renewed by each applicable regulatory authority, or, if issued, extended or renewed on terms that are favorable to us. There is also no assurance that our licenses will be renewed by each applicable regulatory authority in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process for any of the licenses held by us could impede our ongoing or planned operations and have a material adverse effect on our business, financial condition, results of operations or prospects.

The success of our business strategy depends on the legality of the cannabis industry, which industry is subject to change at both the state and federal level.

The success of our business strategy depends on the legality of the cannabis industry. The political environment surrounding the cannabis industry in general can be volatile and the regulatory framework remains in flux. At the federal level, it currently does not appear that the risk of federal enforcement will be significantly altered by President Biden’s administration and his Attorney General, Merrick Garland. To our knowledge, there are to date a total of forty states and the District of Columbia, Puerto Rico, the Northern Mariana Islands, the U.S. Virgin Islands, and Guam that have legalized a form of comprehensive commercial medical or adult-use cannabis reform; however, the risk remains that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting our business, results of operations, financial condition or prospects.

Delays in enactment of new state or federal regulations could restrict our ability to reach strategic growth targets and lower return on investor capital. Our strategic growth strategy is reliant upon certain federal and state regulations being enacted to facilitate the legalization of medical and adult-use cannabis. If such regulations are not enacted, or enacted but subsequently repealed or amended, or enacted with prolonged phase-in periods, our ability to reach our growth targets could be diminished, and thus, the effect on the return of investor capital, could be detrimental. We are unable to predict with certainty when and how the outcome of these complex regulatory and legislative actions will affect our business and growth.

Further, there is no guaranty that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing applicable state laws are repealed or curtailed, our business, results of operations, financial condition and prospects would be materially adversely affected. It is also important to note that local and city ordinances may strictly limit and/or restrict disbursement of cannabis in a manner that will make it extremely difficult or impossible to transact business that is necessary for the continued operation of the cannabis industry. Federal actions against individuals or entities engaged in the cannabis industry or a repeal of applicable cannabis-related legislation could adversely affect us and our business, results of operations, financial condition and prospects.

We are aware that multiple states are considering special taxes or fees on businesses in the cannabis industry. It is a potential yet unknown risk at this time that other states are in the process of reviewing such additional fees and taxation. This could have a material adverse effect upon our business, results of operations, financial condition or prospects.

The commercial, medical and adult-use cannabis industries' regulations may be subject to change. We have put in place a detailed compliance program which we will oversee, maintain and implement. In addition to our legal and compliance departments, we also have local regulatory/compliance counsel engaged in every jurisdiction in which we operate. Our compliance program emphasizes security and inventory control to ensure strict monitoring of cannabis and inventory from delivery by a licensed distributor to sale or disposal. Additionally, we have created comprehensive standard operating procedures that include detailed descriptions and instructions for monitoring inventory at all stages of development and distribution. We will continue to monitor compliance on an ongoing basis in accordance with our compliance program and standard operating procedures and adapt to any changes to regulation in the cannabis industry.

Overall, the medical and adult-use cannabis industry is subject to significant regulatory change at both the state and federal level. Our inability to respond to the changing regulatory landscape may cause us to not be successful in capturing significant market share and could otherwise harm our business, results of operations, financial condition or prospects.

FDA regulation of medical cannabis may cause novel regulatory compliance and registration requirements.

FDA regulation of medical cannabis and the possible registration of facilities where medical cannabis is grown could negatively affect the medical cannabis industry, which would directly affect our financial condition. Should the federal government legalize cannabis for medical use, it is possible that FDA would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, FDA may issue rules and regulations including certified good manufacturing practices, related to the growth, cultivation, harvesting and processing of medical cannabis. Clinical trials may be needed to verify efficacy and safety. It is also possible that FDA would require that facilities where medical cannabis is grown register with FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, it is unknown what the impact would be on the medical cannabis industry, including what costs, requirements and possible prohibitions may be enforced. If we are unable to comply with the regulations or registration as prescribed by FDA it may have an adverse effect on our business, operating results and financial condition.

Our growth and development may be hindered by applicable limitations on ownership of licenses.

In certain states, the cannabis laws and regulations limit not only the number of cannabis licenses issued, but also the number of cannabis licenses that one person may own. For example, in Massachusetts, no person or entity having "direct or indirect control," which includes a direct or indirect ownership interest of 10% or greater, may hold more than three licenses in a particular class, except as specified in the regulations. Such limitations on the acquisition or ownership of additional licenses within certain states or enforcement by regulators in certain states against such services arrangements may limit our ability to grow organically or to increase our market share in such states.

We are subject to those risks inherent in an agricultural business.

Adult-use and medical marijuana are agricultural products. There are risks inherent in the agricultural business, such as insects, plant diseases and similar agricultural risks. Although our products are usually grown indoors under climate-controlled conditions, with conditions monitored, there can be no assurance that natural elements will not have a material adverse effect on the production of our products.

We may be adversely impacted by rising or volatile energy costs.

Our cannabis growing and manufacturing operations consume considerable energy, which makes us vulnerable to rising energy costs. Accordingly, rising or volatile energy costs may adversely affect our business and our ability to operate profitably.

Due to the classification of cannabis as a Schedule I controlled substance under the CSA, third parties may fail to establish or maintain business relationships with us, which could have a material adverse effect on us.

The parties with which we do business may perceive that they are exposed to reputational risk as a result of our cannabis business activities. We may in the future have difficulty establishing or maintaining bank accounts or other business relationships. Failure to establish or maintain business relationships could have a material adverse effect on us.

Due to the classification of cannabis as a Schedule I controlled substance under the CSA, banks and other financial institutions which service the cannabis industry are at risk of violating certain financial laws, including anti-money laundering statutes, and if we do not have access to traditional banking and financial services in the jurisdictions in which we operate, our business and operations could be materially adversely affected.

We are subject to a variety of laws and regulations domestically and in the U.S. that involve money laundering, financial recordkeeping and proceeds of crime, including the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), the Proceeds of Crime Act (Money Laundering) and Terrorist Financing Act (Canada), as amended and the rules and regulations thereunder, the Criminal Code (Canada) and any related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the U.S. and Canada. Since the cultivation, manufacture, distribution and sale of cannabis remains illegal under the CSA, banks and other financial institutions providing services to cannabis- related businesses risk violation of federal anti-money laundering statutes (18 U.S.C. §§ 1956 and 1957), the unlicensed money-remitter statute (18 U.S.C. § 1960) and the Bank Secrecy Act, among other applicable federal statutes. Banks or other financial institutions that provide cannabis businesses with financial services such as a checking account in violation of the Bank Secrecy Act could be criminally prosecuted for willful violations of money laundering statutes, in addition to being subject to other criminal, civil and regulatory enforcement actions. Banks often refuse to provide depository and lending services to businesses involved in the cannabis industry due to the present state of the laws and regulations governing financial institutions in the U.S. The lack of banking and financial services presents unique and significant challenges to businesses in the cannabis industry. The potential lack of a secure place in which to deposit and store proceeds, the inability to pay creditors through the issuance of checks and the inability to secure traditional forms of operational financing, such as lines of credit, are some of the many challenges presented by the unavailability of traditional banking and financial services. These statutes can impose criminal liability for engaging in certain financial and monetary transactions with the proceeds of a “specified unlawful activity” such as distributing controlled substances which are illegal under federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. We may also be exposed to the foregoing risks.

In February 2014, the United States Department of Treasury’s Financial Crimes Enforcement Network (“FinCEN”) issued the FinCEN Memorandum providing instructions to banks seeking to provide services to cannabis-related businesses. The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of the Bank Secrecy Act. It refers to supplementary guidance that former Deputy Attorney General James M. Cole issued to federal prosecutors relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. Although the FinCEN Memorandum remains in effect today, overall, the DOJ continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the Bank Secrecy Act, that occur in any state, including in states that have legalized the applicable conduct and the DOJ’s current enforcement priorities could change for any number of reasons. A change in the DOJ’s enforcement priorities could result in the DOJ prosecuting banks and financial institutions for crimes that previously were not prosecuted. If we do not have access to traditional banking and financial services in the jurisdictions in which we operate, our business and operations could be materially adversely affected.

***If our operations were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under federal statutes noted or any other applicable legislation, which could restrict or otherwise jeopardize our ability to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada, and subject us to civil and/or criminal penalties*.**

Potential violations of federal law resulting from cannabis-related activities include the U.S. Racketeer Influenced Corrupt Organizations Act ("RICO"). RICO is a federal statute providing criminal penalties in addition to a civil cause of action for acts performed as part of an ongoing criminal organization. Under RICO, it is unlawful for any person who has received income derived from a pattern of racketeering activity (which includes most felonious violations of the CSA), to use or invest any of that income in the acquisition of any interest, or the establishment or operation of any enterprise which is engaged in interstate commerce. RICO also authorizes private parties whose properties or businesses are harmed by such patterns of racketeering activity to initiate a civil action against the individuals involved. Although RICO suits against the cannabis industry are rare, a few cannabis businesses have been subject to a civil RICO action. Defending such a case has proven extremely costly, and potentially fatal to a business' operations.

In the event that any of our operations, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such operations in the U.S. were found to be in violation of money laundering legislation or otherwise, such transactions may be viewed as proceeds of crime under one or more of the statutes noted above or any other applicable legislation. This could restrict or otherwise jeopardize our ability to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada, and subject us to civil and/or criminal penalties. Furthermore, while there are no current intentions to declare or pay dividends on the common shares in the foreseeable future, in the event that a determination was made that our proceeds from operations (or any future operations or investments in the U.S.) could reasonably be shown to constitute proceeds of crime, we may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time. We could likewise be required to suspend or cease operations entirely.

Reclassification of cannabis in the U.S. could adversely impact our business and growth strategy.

If marijuana is re-categorized as a Schedule II or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be improved; however, if cannabis is re- categorized as a Schedule II or other controlled substance, and the resulting re-classification would result in the requirement for FDA approval if medical claims are made for our products such as medical use cannabis, then as a result, such products may be subject to a significant degree of regulation by the FDA and U.S. Drug Enforcement Administration ("DEA"). In that case, we may be required to be registered (licensed) to perform these activities and have the security, control, recordkeeping, reporting and inventory mechanisms required by the DEA to prevent drug loss and diversion. Obtaining the necessary registrations may result in delay of the cultivation, manufacturing or distribution of our anticipated products. The DEA conducts periodic inspections of certain registered establishments that handle controlled substances. Failure to maintain compliance could have a material adverse effect on our business, financial condition and results of operations. The DEA may seek civil penalties, refuse to renew necessary registrations or initiate proceedings to restrict, suspend or revoke those registrations. In certain circumstances, violations could lead to criminal proceedings. Furthermore, if the FDA, DEA, or any other regulatory authority determines that our products may have potential for abuse, it may require us to generate more clinical or other data than we currently anticipate in order to establish whether or to what extent the substance has an abuse potential, which could increase the cost and/or delay the launch of that product.

If the federal government reclassifies cannabis from a Schedule I controlled substance, it is possible that FDA would seek to regulate cannabis under the Food, Drug and Cosmetics Act of 1938. Additionally, FDA may issue rules and regulations, including good manufacturing practices related to the growth, cultivation, harvesting and processing of medical use cannabis. Clinical trials may be needed to verify the efficacy and safety of cannabis. It is also possible that

FDA would require facilities where medical use cannabis is grown to register with FDA and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact they would have on the cannabis industry is unknown, including the costs, requirements and possible prohibitions that may be enforced.

It is also possible that the federal government could seek to regulate cannabis under the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives. The U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives may issue rules and regulations related to the use, transporting, sale and advertising of cannabis or cannabis products, including smokeless cannabis products**.** If we are unable to comply with the potential regulations or registration requirements prescribed by FDA or the U.S. Bureau of Alcohol, Tobacco, Firearms and Explosives, it may have a material adverse effect on our business, prospects, revenue, results of operation and financial condition.

We may be subject to federal and state forfeiture laws which, if exercised, could have a material adverse impact on our operations.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, seizure of assets, disgorgement of profits, cessation of business activities or divestiture. As an entity that conducts business in the cannabis industry in the U.S., we will be potentially subject to federal and state forfeiture laws (criminal and civil) that permit the government to seize the proceeds of criminal activity. Civil forfeiture laws could provide an alternative for the federal government or any state or local police force that wants to discourage residents from conducting transactions with cannabis-related businesses but believes criminal liability is too difficult to prove beyond a reasonable doubt. Also, an individual can be required to forfeit property considered to be the proceeds of a crime even if the individual is not convicted of the crime, and the standard of proof in a civil forfeiture matter is lower than the standard in a criminal matter. Depending on the applicable law, whether federal or state, rather than having to establish liability beyond a reasonable doubt, the federal government or the state, as applicable, may be required to prove that the money or property at issue is proceeds of a crime only by either clear and convincing evidence or a mere preponderance of the evidence.

Employees of our company located in states where cannabis remains illegal may be at risk of prosecution under federal and/or state conspiracy, aiding and abetting and money laundering statutes and be at further risk of losing their investments or proceeds under forfeiture statutes. Many states remain fully able to take action to prevent the proceeds of cannabis businesses from entering their state. While jurisdictions in which entities are allowed to conduct business in the cannabis industry have not yet meaningfully utilized forfeiture statutes in this manner, it remains an open question as to whether these states would take such action and whether a court would approve it. Forfeiture laws, if exercised, could have a material adverse impact on our operations.

The results of future clinical research may be unfavorable to cannabis which may have a material adverse effect on the demand for our products.

Research regarding the medical and/or therapeutic benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids (such as CBD and THC) remains in early stages. There have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids (such as CBD and THC). Future research and clinical trials could raise concerns regarding cannabis. Further, the cannabis industry is highly dependent upon consumer perception regarding the safety, efficacy and quality of the cannabis produced. Consumer perception can be significantly influenced by scientific research or findings regarding the consumption of cannabis products. There can be no assurance that future scientific research or findings will be favorable to the cannabis market or any particular product, or consistent with earlier research or findings. Future research studies and clinical trials may draw opposing conclusions to those stated in current research or reach negative conclusions regarding the medical and/or therapeutic benefits, viability, safety, efficacy, dosing or other facts related to cannabis, which could have a material adverse effect on the demand for our products, and therefore on our business, prospects, revenue, results of operation and financial condition.

Our operations in the U.S. and any future operations or investments may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada.

Currently, our common shares are traded on the Cboe Canada and quoted on the OTCQB in the U.S. Our operations in the U.S. and any future operations or investments may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada. As a result, we may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on our ability to operate or invest in the U.S. or any other jurisdiction, in addition to those described herein.

The CDS Clearing and Depository Services Inc. ("CDS"), Canada's central securities depository for clearing and settling trades in the Canadian equity, fixed income and money markets, has indicated that it would refuse to settle trades for cannabis issuers that have investments in the U.S. The TMX Group, the owner and operator of CDS, issued a statement in August 2017 reaffirming that there is no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S., despite media reports to the contrary and that the TMX Group was working with regulators to arrive at a solution that will clarify this matter, which would be communicated at a later time. In February 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("MOU") with The Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange, and the TSX Venture Exchange. The MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the U.S. The MOU confirms, with respect to the clearing of listed securities, that CDS relies on the exchanges to review the conduct of listed issuers. As a result, there is currently no CDS ban on the clearing of securities of issuers with cannabis-related activities in the U.S. However, there can be no guarantee that this approach to regulation will continue in the future. If such a ban were to be implemented, it would have a material adverse effect on the ability of holders of common shares to make and settle trades. In particular, we would become highly illiquid until an alternative was implemented, as investors would have no ability to affect a trade of securities through the facilities of the applicable stock exchange.

In addition, in the U.S., many clearing houses for major broker-dealer firms have refused to handle securities or settle transactions of companies engaged in cannabis-related business. This means that certain broker-dealers cannot accept for deposit or settle transactions in our securities, which may inhibit the ability of investors to trade in our securities and could negatively affect the liquidity of our securities.

Any restrictions imposed by the Cboe Canada, OTCQB or other applicable exchange or quotation system on our business of and/or the potential delisting of the common shares from the Cboe Canada, OTCQB or other applicable exchange or regulatory agency would have a material adverse effect on us and on the ability of holders of common shares to make trades.

Regulatory changes may adversely affect our profitability or cause us to cease operations entirely.

Our business activities will rely on newly established and/or developing laws and regulations in multiple jurisdictions. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect our profitability or cause us to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, SEC, DOJ, the Financial Industry Regulatory Authority or other applicable federal, state or non-governmental regulatory authorities or self- regulatory organizations that supervise or regulate the production, distribution, sale or use of cannabis for medical or non-medical purposes in the U.S. It is impossible to determine the extent of the impact of any new laws, regulations or initiatives that may be proposed, or whether any proposals will become law. The regulatory uncertainty surrounding our industry may adversely affect our business and operations, including without limitation, the costs to remain compliant with applicable laws and the impairment of our ability to raise additional capital, create a public trading market in the U.S. for our securities or to find a suitable acquirer, which could reduce, delay or eliminate any return on investment.

State regulatory agencies may require us to post bonds or significant fees, which may be economically prohibitive.

There is a risk that a greater number of state regulatory agencies will begin requiring entities engaged in certain aspects of the cannabis business or industry of legal marijuana to post a bond or significant fees when applying, for example, for a dispensary license or renewal as a guarantee of payment of sales and franchise tax. We are not able to quantify at this time the potential scope for such bonds or fees in the states in which we currently or may in the future operate. Any bonds or fees of material amounts could have a negative impact on the ultimate success of our business.

We may incur significant tax liabilities due to limitations on tax deductions and credits under the applicable sections of the Internal Revenue Code.

Section 280E of the Internal Revenue Code, as amended (the "Code"), prohibits businesses from deducting certain expenses associated with trafficking controlled substances (within the meaning of Schedule I and II of the CSA). Section 280E drastically increases federal taxes for cannabis businesses operating under state-sanctioned regulatory programs because they are generally not permitted to deduct their operating expenses and are barred from taking standard deductions available to most other businesses. As a result, an otherwise profitable business may in fact operate at a loss after taking into account its income tax expenses. The IRS has invoked Section 280E in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly and the bulk of operating costs and general administrative costs are not permitted to be deducted. We will be precluded from claiming certain deductions otherwise available to non-marijuana businesses and may incur significant tax liabilities due to the application of Section 280E of the Code. While there are currently several pending cases before various administrative and federal courts challenging these restrictions, there is no guarantee that these courts will issue an interpretation of Section 280E favorable to cannabis businesses. Consequently, there is no certainty that we will not be subject to Section 280E in the future, and accordingly, there is no certainty that the impact that Section 280E has on our margins will ever be reduced.

We, as a Canadian corporation existing under the laws of the Province of British Columbia, generally would be classified as a non-U.S. Corporation under general rules of U.S. federal income taxation. Section 7874 of the Code, however, contains rules that can cause a non-U.S. Corporation to be taxed as a U.S. corporation ("U.S. Corporation") for U.S. federal income tax purposes. Under section 7874 of the Code, a corporation created or organized outside the U.S. (i.e., a non-U.S. Corporation) will nevertheless be treated as a U.S. Corporation for U.S. federal income tax purposes (such treatment is referred to as an "Inversion") if each of the following three conditions are met: (i) the non-U.S. Corporation acquires, directly or indirectly, or is treated as acquiring under applicable U.S. Treasury Regulations, substantially all of the assets held, directly or indirectly, by a U.S. Corporation, (ii) after the acquisition, the former shareholders of the acquired U.S. Corporation hold at least 80% (by vote or value) of the shares of the non-U.S. Corporation by reason of holding shares of the acquired U.S. Corporation (taking into account the receipt of the non-U.S. Corporation's shares in exchange for the U.S. Corporation's shares), and (iii) after the acquisition, the non-U.S. Corporation's expanded affiliated group does not have substantial business activities in the non-U.S. Corporation's country of organization or incorporation when compared to the expanded affiliated group's total business activities. For this purpose, "expanded affiliated group" means a group of corporations where (i) the non-U.S. corporation owns stock representing more than 50% of the vote and value of at least one member of the expanded affiliated group, and (ii) stock representing more than 50% of the vote and value of each member is owned by other members of the group. The definition of an "expanded affiliated group" includes partnerships where one or more members of the expanded affiliated group own more than 50% (by vote and value) of the interests of the partnership. We intend to be treated as a U.S. Corporation for U.S. federal income tax purposes under section 7874 of the Code and expect to be subject to U.S. federal income tax on our worldwide income. However, for Canadian tax purposes, we are expected, regardless of any application of section 7874 of the Code, to be treated as a Canadian resident company (as defined in the Income Tax Act) for Canadian income tax purposes. As a result, we will be subject to taxation both in Canada and the U.S., which could have a material adverse effect on our financial condition and results of operations.

We may not be able to accurately forecast our operating results and plan our operations due to uncertainties in the cannabis industry.

We have a limited operating history and a history of net losses that make it difficult to make accurate predictions and forecasts about our business, operations and financial conditions. This difficulty is only compounded by the fact that the cannabis industry is continuously evolving. As a result of recent and ongoing regulatory and policy changes in the medical and adult-use marijuana industry, the market data available is limited and unreliable. Federal and state laws prevent widespread participation and hinder market research. Therefore, we must rely largely on our own market research to forecast sales as detailed forecasts are not generally obtainable from other sources. Market research and our projections of estimated total retail sales, demographics, demand, and similar consumer research are based on assumptions from limited and unreliable market data, and generally represent the personal opinions of our management team. A failure in the demand for our products to materialize as a result of competition, technological change or other factors could have a material adverse effect on our business, results of operations, financial condition or prospects.

If we were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to our U.S. operations, which would materially adversely affect our prospects and the rights of our lenders and securityholders.

Because the use of cannabis is illegal under federal law, many courts have denied cannabis businesses bankruptcy protections, thus making it very difficult for lenders to recoup their investments in the cannabis industry in the event of a bankruptcy. If we were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to our U.S. operations, which would have a material adverse effect on us, our lenders and other stakeholders.

Additionally, there is no guarantee that we will be able to effectively enforce any interests that we may have in our other subsidiaries and investments. A bankruptcy or other similar event related to an entity in which we hold an interest that precludes such entity from performing its obligations under an agreement may have a material adverse effect on our business, financial condition or results of operations. Further, should an entity in which we hold an interest have insufficient assets to pay its liabilities, it is possible that other liabilities will be satisfied prior to the liabilities or equity owed to us. In addition, bankruptcy or other similar proceedings are often a complex and lengthy process, the outcome of which may be uncertain and could result in a material adverse effect on our business, financial condition or results of operations.

Public opinion and perception may significantly influence government policy and regulation of the cannabis industry, which could have a material adverse effect on our business, results of operations and prospects.

Changes in public opinion or perception may also result in a significant influence over the regulation of the cannabis industry in the U.S., Canada or elsewhere. Public opinion and support for medical and adult- use marijuana has traditionally been inconsistent and varies from jurisdiction to jurisdiction.

While public opinion and support appears to be rising for legalizing medical and adult-use marijuana, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, legalization of medical-use marijuana as opposed to adult-use marijuana). Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of marijuana in general, or associating the consumption of adult-use and medical marijuana with illness or other negative effects or events, could have a material adverse effect on our business, results of operations or prospects. There is no assurance that such adverse publicity reports or other media attention will not arise. A negative shift in the public's perception of cannabis, including vaping or other forms of cannabis administration, in the U.S., Canada or any other applicable jurisdiction could affect future legislation or regulation. Among other things, such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical and/or adult-use cannabis, thereby limiting the number of new state jurisdictions into which we could expand. Also, the perception of negative health effects from the use of vaporizers to consume cannabis could result in state and local prohibitions on the sale of vaping products for an indefinite period of time. Any inability to fully implement our expansion strategy may have a material adverse effect on our business, results of operations or prospects. Among other things, such a shift could also cause states that have already legalized medical and/or adult-use cannabis to reevaluate the extent of, and introduce new restrictions on, the permitted activities and permitted cannabis products within their jurisdictions, which may have a material adverse effect on our business, results of operations or prospects. Medical alerts by the Centers for Disease Control and Prevention and state health agencies on vaping related illness and other issues directly related to cannabis consumption could potentially create an inability to fully implement our expansion strategy or could restrict the products which we sell at our existing operations, which may have a material adverse effect on our business, results of operations or prospects.

We face risks due to industry immaturity or limited comparable, competitive or established industry best practices.

No single established operator in the medical and adult use cannabis industries has yet achieved sustained success with a business model we can follow or build upon. Similarly, there is limited information about comparable companies available for potential investors to review in making a decision about whether to invest in us.

Shareholders and investors should consider, among other factors, our prospects for success in light of the risks and uncertainties encountered by companies that, like us, are in their early stages. For example, unanticipated expenses and problems or technical difficulties may occur, which may result in material delays in the operation of our business. We may fail to successfully address these risks and uncertainties or successfully implement our operating strategies. If we fail to do so, it could materially harm our business to the point of having to cease operations and could influence investors' abilities to recover their investments.

We may face opposition from other industries, which could have an adverse impact on our business.

The cannabis industry (both adult-use and medical, together or individually) could face a material threat from other industries. For instance, should cannabis displace other drugs or health products, or otherwise encroach upon the pharmaceutical industry's products, the pharmaceutical industry may utilize its well-funded, strong and experienced lobby to eclipse the funding of the movement in support of the adult-use and medical cannabis industries. In addition, the pharmaceutical industry may attempt to dominate the marijuana industry through the development and distribution of synthetic products which emulate the effects and treatment of organic marijuana. Similarly, other industries such as alcoholic beverage purveyors may attempt to influence or co-opt the adult-use and medical cannabis industry. If they are successful, the widespread popularity of such synthetic products could change the demand, volume and profitability of the marijuana industry. This could adversely affect our ability to secure long-term profitability and success through the sustainable and profitable operation of our business. There may be unknown additional regulatory fees and taxes that may be assessed in the future. Any inroads other industries could make in halting or impeding the cannabis industry could have an adverse impact on our business.

We face intense competition from other companies and increasing legalization of cannabis and rapid growth and consolidation in the cannabis industry may further intensify competition.

The cannabis industry is undergoing rapid growth and substantial change, and the legal landscape for medical and recreational cannabis is rapidly changing internationally. An increasing number of jurisdictions globally are passing legislation allowing for the production and distribution of medical and/or recreational cannabis in some form or another. Entry into the cannabis market by international competitors might lower the demand for our products.

The foregoing legalization and growth trends in the cannabis industry has resulted in an increase in competitors, consolidation and formation of strategic relationships. Such acquisitions or other consolidating transactions could harm us in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, revenue and market share or forcing us to expend greater resources to meet new or additional competitive threats, all of which could harm our operating results. As competitors enter the market and become increasingly sophisticated, competition in the cannabis industry may intensify and place downward pressure on retail prices for products and services, which could negatively impact profitability.

We face and expect to continue to face intense competition from other companies, some of which can be expected to have longer operating histories, stronger brand recognition, and significantly greater financial resources, manufacturing and marketing experience than we have. This may enable them to adapt to changing market conditions and take advantage of new market opportunities more quickly than we are able to. Increased competition is likely to result in price compression, reduced gross margins and loss of market share. In addition, consolidation in the cannabis industry may create larger companies with financial resources, manufacturing and marketing capabilities and product offerings that are greater than ours. As a result of this competition, we may be unable to maintain our operations or develop them as currently proposed on terms that are considered acceptable. Increased competition by larger, better-financed competitors with geographic advantages could materially and adversely affect our business, financial condition and operations.

We may face risks associated with competitive illicit enterprises dealing in cannabis.

Our operations may be a source of competition with current criminal enterprises dealing in cannabis, including drug cartels. As a result, our operations may be an ongoing target of attacks specifically designed to impede the continuation of our operations or the success of our products, and it may be exposed to various levels of criminal interference and other risks and uncertainties including terrorism, violence, hostage taking and other drug gang activities. The nature of our operations may also make us subject to greater risks of theft and greater risks as to property security. These conditions could lead to lower productivity and higher costs, which would adversely affect our results of operations and cash flow.

We face competition from illegal market operators that are unlicensed and unregulated, and that are selling cannabis and cannabis products, including products with higher concentrations of active ingredients, using flavors or other additives or engaging in advertising and promotion activities that we are not permitted to. As these illegal market participants do not comply with the regulations governing the cannabis industry, their operations may also have significantly lower costs and they may be able to sell products with significantly higher cannabinoid potencies or which include ingredients that are prohibited by law. The perpetuation of the illegal market for cannabis may have a material adverse effect on our business, financial condition and results of operations, as well as the public perception of cannabis use.

There remains doubt and uncertainty that we will be able to legally enforce contracts we enter into.

There remains doubt and uncertainty that the Company will be able to legally enforce contracts it enters into. It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Due to the nature of our business and the fact that our contracts involve cannabis and other activities that are not legal under U.S. federal law and in some jurisdictions, we may face difficulties in enforcing our contracts in federal and certain state courts. For instance, there have been a number of occasions in which state courts have refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate U.S. federal law, even if there is no violation of state law. The inability to enforce any of our contracts could have a material adverse effect on our business, operating results, financial condition or prospects.

The Rohrabacher-Farr Amendment may not be renewed, potentially resulting in DOJ enforcement activities against entities in the cannabis industry.

An appropriations rider contained in various federal appropriations and spending bills since 2014 (formerly known as the 'Rohrabacher-Farr' Amendment); now known as the Joyce Amendment (the "Joyce Amendment") provides budgetary constraints on the federal government's ability to interfere with the implementation of state-based medical cannabis laws. The Ninth Circuit Court of Appeals and other courts have interpreted the language to mean that the DOJ cannot prosecute medical cannabis operators complying strictly with state medical cannabis laws. The Joyce Amendment does not protect state adult-use businesses, and the DOJ maintains that it can still prosecute violations of the federal cannabis ban and continue cases already in the courts. If the Joyce Amendment expires and is not renewed, federal prosecutors could prosecute even compliant medical cannabis operators for conduct within the five-year statute of limitations. On March 9, 2024, the Joyce Amendment was most recently renewed through September 30, 2024. While this current appropriations rider only applies to jurisdictions authorizing medical cannabis-related activities, supportive legislators continue their efforts to amend future appropriations bills to extend the prohibition on the use of federal enforcement funds against the implementation of state cannabis programs regulating cannabis for either medical or adult-use purposes.

Pursuant to the Joyce Amendment, through September 30, 2024, the DOJ is prohibited from expending any funds to prevent states from implementing their own medical cannabis laws. President Biden became the first president to propose a budget with the Joyce Amendment included.

Although unlikely, there is a possibility that procedural rules in the House of Representatives and the Senate may ban all amendments from federal omnibus spending bills, and if this occurs and the substantive provisions of the Joyce Amendment are not included in the base federal omnibus spending bill or other law, these protections would lapse. If the Joyce Amendment or an equivalent thereof is not successfully included in the next or any subsequent federal omnibus spending bill, the protection which has been afforded thereby to U.S. medical cannabis businesses in the past would lapse, and such businesses would be subject to a higher risk of prosecution under federal law.

We could be materially adversely impacted due to restrictions under U.S. border entry laws.

In the past, U.S. Customs and Border Protection (the "U.S. CBP") was given the discretion to question Canadians entering the U.S. about their marijuana use and determine whether to use their response as a barrier to entry. The U.S. CBP has previously focused on the whole cannabis industry, including investors. Several highly publicized instances of U.S. CBP detaining and even banning Canadian investors from the U.S. have occurred. The restriction of travel to the U.S. of individuals affiliated with us, as well as our investors, would materially impair our ability to conduct business and could materially impact our results of operations.

Uncertainty in regulatory changes in relation to vaporization devices could result in an impact to our interstate commerce, registration and revenue reporting requirements, and potential excise tax liability.

On December 27, 2020, the U.S. government passed the 2021 Consolidated Appropriations Act. Part of this legislation modified the existing language of the Prevent All Cigarette Trafficking Act ("PACT Act") and expanded the definition of "cigarette" to include "electronic nicotine delivery systems." The newly added term "electronic nicotine delivery system" ("ENDS"), defined as a device intended to "deliver nicotine, flavor, or any other substance to the user inhaling from a device," has extended the requirements of tobacco and tobacco products to electronic vaping devices that contain neither nicotine nor tobacco.

Under the amended PACT Act, ENDS are subject to the same federal and state registration mandates, monthly reporting requirements, and delivery restrictions as traditional cigarettes, including the prohibition on the use of the U.S. Postal Service ("USPS") to deliver products directly to consumers.

The USPS has historically maintained an exception to this ban for tobacco products "mailed only … for business purposes between legally operating businesses that have all applicable State and Federal Government licenses or permits and are engaged in tobacco product manufacturing, distribution, wholesale, export, import, testing, investigation, or research …" (the "B2B Exception") See 18 U.S.C. § 1716E(b)(3)(A)(i). In a proposed rule published on February 19, 2021, the USPS stated its intention to maintain this "business purposes exception" for ENDS. In advance of the final rule, on April 19, 2021, the USPS published guidance detailing the information required in an application for exception from the non-mailability provisions of the PACT Act for ENDS products. On October 21, 2021, the USPS released its Final Rule confirming the applicability of the B2B Exception for the mailing of ENDS between eligible businesses.

The effect of this change to the PACT Act could prevent the USPS from handling any package that contains ENDS shipped directly to a consumer. This could lead to a loss of carrier coverage and impact our inventory, the execution of our in-house brands and our overall revenue. While we retain both business to business and business to consumer relationships in this industry, it is undetermined what impact, if any, we will experience as individual states and merchants implement the registration, reporting, and shipping restrictions to comply with the PACT Act. Furthermore, although we continue to determine state-level applicability of the PACT Act, the jurisdictions in which we may be subject to excise tax in remain undetermined at this time.

We may be required to disclose personal information of investors to government or regulatory entities or face the possibility of a license being revoked or cancelled.

We may own, manage or provide services to various U.S. state-licensed cannabis operations. Acquiring even a minimal and/or indirect interest in a U.S. state-licensed cannabis business can trigger requirements to disclose investors' personal information. While these requirements vary by jurisdiction, some require interest holders to apply for regulatory approval and to provide tax returns, compensation agreements, fingerprints for background checks, criminal history records and other documents and information. Some states require disclosures of directors, officers and holders of more than a certain percentage of equity of the applicant. While certain states include exceptions for investments in publicly traded entities, not all states do so, and some such exceptions are confined to companies traded on a U.S. securities exchange. If these regulations were to extend to us, investors would be required to comply with such regulations, or we could face the possibility that the relevant cannabis license could be revoked or cancelled by the applicable state licensing authority.

We are subject to changes in laws, regulations and guidelines which could adversely affect our future business, financial condition and operations.

Our operations will be subject to various state and federal laws, regulations and guidelines relating to the manufacturing, managing, packaging/labeling, advertising, selling, transporting, storing and disposing of cannabis, including laws and regulations relating to controlled substances, health and safety, the conduct of business operations and the protection of the environment. Achievement of our business objectives will be contingent, in part, upon compliance with applicable regulatory requirements and obtaining all requisite regulatory approvals. Changes to such laws, regulations and guidelines due to matters beyond our control may cause adverse effects to us.

We endeavor to comply with all relevant laws, regulations and guidelines. However, changes to such laws, regulations and guidelines due to matters beyond our control may cause adverse effects to our operations and there is no assurance that we will be able to comply or continue to comply with applicable regulations. To the best of our knowledge, we are in compliance or in the process of being assessed for compliance with all such state laws, regulations and guidelines as described elsewhere in this report.

Any failure on our part to comply with applicable regulations could prevent us from being able to carry on our business.

Our business activities in all jurisdictions in which we operate are heavily regulated. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over our business activities, including the power to limit or restrict business activities as well as impose additional requirements on our products and services. Our activities are routinely assessed for compliance with applicable regulatory requirements. Any failure by us to comply with applicable regulatory requirements could result in us becoming involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits and other contingencies could harm our reputation, require us to take, or refrain from taking, actions that could harm our operations or require us to pay substantial amounts of money, harming our financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on our business, financial condition, results or operations or prospects.

Adverse legal, regulatory or political changes could have a material adverse effect on our current and planned operations.

Achievement of our business objectives is contingent, in part, upon complying with other regulatory requirements enacted by governmental authorities and obtaining other required regulatory approvals. We will incur ongoing costs and obligations related to regulatory compliance. The regulatory regime which oversees cannabis is undergoing significant proposed changes and we cannot predict the impact of those changes on our business. Similarly, we cannot predict a timeline for securing the appropriate regulatory approvals and licenses for our products, or the extent of testing and documentation that may be required by government authorities. Any delays or failures in obtaining required regulatory approvals may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on our business operations and finances. Failure to adapt and comply with regulations may result in additional costs for us through corrective measures, penalties and increased restrictions on our operations. In addition, changes to regulations, heightened enforcement thereof and other unanticipated events could have a material adverse effect on our operations and finances by requiring extensive changes to our operations, increasing compliance costs, generating material liabilities and affecting other aspects of our business that are currently unknown.

A drop in the wholesale or retail price of cannabis products in the geographic areas in which we operate would negatively impact our business, financial condition and results of operations.

The price and demand for the Company's products is determined on a state-by-state basis and depends in part on the price and supply of cannabis and other raw materials in the particular state. Fluctuations in economic and market conditions and changes in regulations that impact the prices and supply of commercially grown cannabis, related raw materials or other product inputs, such as increases in the supply of cannabis and the decrease in the price of products using particular cannabis formats, could cause increased competition and restrictions on selling products, resulting in the Company's revenues and profitability declining, which would have a negative impact on our business, financial condition and results of operations.

The future growth of the Company depends on the effectiveness and efficiency of its advertising and promotional expenditures to attract and retain customers.

The Company's future growth and profitability will depend on the effectiveness and efficiency of advertising and promotional expenditures, including its ability to: (i) create greater awareness of its products; (ii) determine the appropriate creative message and media mix for future advertising expenditures; and (iii) effectively manage advertising and promotional costs in order to maintain acceptable operating margins. There can be no assurance that advertising and promotional expenditures will result in revenues in the future or will generate awareness of the Company's technologies, products or services. In addition, no assurance can be given that the Company will be able to manage its advertising and promotional expenditures on a cost-effective basis.

The Company depends on the popularity and acceptance of its brand portfolio.

Management believes that maintaining and promoting the Company's brands is critical to expanding its customer base. Maintaining and promoting the Company's brands will depend largely on its ability to continue to provide quality, reliable and innovative products, which it may not do successfully. The Company may introduce new products that customers do not like, which may negatively affect the brands and reputation. Maintaining and enhancing the Company's brands may require it to make substantial investments, and these investments may not achieve the desired goals. If the Company fails to successfully promote and maintain its brands or if there are excessive expenses in this effort, its business and financial results from operations could be materially adversely affected.

We may be subject to constraints on and differences in marketing our products under varying state laws.

There may be restrictions on sales and marketing activities imposed by government regulatory bodies that could hinder the development of our business and operating results. Restrictions may include regulations that specify what, where and to whom product information and descriptions may appear and/or be advertised. Marketing, advertising, packaging and labeling regulations also vary from state to state, potentially limiting the consistency and scale of our consumer branding communications and product education efforts. The regulatory environment in the U.S. limits our ability to compete for market share in a manner similar to other industries. For example, the FDA regulates our products to ensure that the products are not adulterated or misbranded. We are subject to regulation by various other agencies as a result of the manufacture and sale of marijuana.

Expansion of our business into new markets with different rules and regulations or distant from then-existing operations, may not succeed. Any such expansion may expose us to new operational, regulatory and/or legal risks. In addition, expanding into new localities may subject us to unfamiliar or uncertain local rules and regulations that may adversely affect our operations. For example, different localities may impose different rules on how cannabis may be cultivated, manufactured, processed, distributed and/or transported. Newly entered localities may also have competitive conditions, consumer preferences and spending patterns that are more difficult to predict or satisfy than the existing markets. If we are unable to effectively market our products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for our products, our sales and operating results could be adversely affected.

Future research may lead to findings that vaporizers, electronic cigarettes and related products are not safe for their intended use.

Vaporizers, electronic cigarettes and related products were recently developed and therefore the scientific or medical communities have had a limited period of time to study the long-term health effects of their use. Currently, there is limited scientific or medical data on the safety of such products for their intended use and the medical community is still studying the health effects of the use of such products, including the long-term health effects. If the scientific or medical community were to determine conclusively that use of any or all of these products pose long-term health risks, market demand for these products and their use could materially decline. Such a determination could also lead to litigation, reputational harm and significant regulation. Loss of demand for our product, product liability claims and increased regulation stemming from unfavorable scientific studies on cannabis vaporizer products could have a material adverse effect on our business, results of operations and financial condition.

Risks Related to our Business and Operations

There is substantial doubt about our ability to continue as a going concern, and holders of our common shares could suffer a total loss of their investment. If we are unable to achieve our financial projections, we may need to raise additional capital to continue our operations. Such capital may not be available to us or may not be available at terms we deem acceptable, either of which could reduce our ability to compete and could negatively affect our business.

Management has concluded, and the report of our auditors included in this Annual Report on Form 10-K reflect, that there is substantial doubt about our ability to continue as a going concern within 12 months after the date of this filing. The reaction of investors to the inclusion of a going concern statement by management and our auditors and our potential inability to continue as a going concern may materially adversely affect the price of our common shares and our ability to raise new capital or enter into partnerships.If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our financial statements, and it is likely that investors will lose all or part of their investment. Further, the perception that we may be unable to continue as a going concern may impede our ability to pursue strategic opportunities or operate our business due to concerns regarding our ability to fulfill our contractual obligations. In addition, if there remains substantial doubt about our ability to continue as a going concern, investors or other financing sources may be unwilling to provide additional funding to us on commercially reasonable terms, or at all.

During the second quarter of 2023, a primary supplier significantly changed the payment terms of the Company’s trade payable. This was an unexpected event impacting short-term liquidity, therefore, the Company secured additional financing through the 2023 Bridge Notes to satisfy the transition of the new payment terms and provide working capital for the business. However, the issuance of the 2023 Bridge Notes caused the Company to have to obtain a waiver of financial covenant defaults expected to occur on the 2023 Refinanced Notes. As a result of the waiver, the Company had to pay default interest rates on its 2023 Refinanced Notes and 2023 New Notes, which resulted in an increase from 16.5% as of March 31, 2023 to 25.0% as of June 30, 2023. On October 2, 2023, the Company and its subsidiaries JJ LP, Baker, CAC, and Jupiter entered into the October Forbearance Agreement, which reduced the interest rate on the 2023 Refinanced Notes to 17.0% as of September 30, 2023. Despite the Company’s ability to secure a lower interest rate on the 2023 Refinanced Notes, the 17.0% interest rate is considered high and the 2023 New Notes remain at the default interest rate of 25.0%. See Note 11 — Notes Payable for additional information. The interest payments required under these rates will constrain the Company’s liquidity while these rates remain in effect. While, as of the date of this filing, the Company is not in compliance with certain payment obligations and covenants under the 2023 Refinanced Notes and the 2023 New Notes, the Holders have not provided the requisite notice of an event of default under these notes. We are currently negotiating a waiver and forbearance agreement with the Holders to address such non-compliance. The Company can provide no assurance that the parties will reach a mutually agreeable resolution.

If we are unable to obtain relief from our debt obligations, achieve our projections, and/or unable to obtain additional sources of liquidity, management anticipates that our existing cash and cash equivalents and anticipated cash flows from operations will not be sufficient to meet our operating and liquidity needs for any meaningful period of time following the filing of this Annual Report on Form 10-K. We will likely need to engage in equity or debt financing or sell assets to secure additional funds. If we raise additional equity financing, shareholders will experience significant dilution of their ownership interests to the extent we issue a significant number of common shares, and we may experience a decline in the market price of the common shares. Our current debt requires us to pay the proceeds of any equity financing to our debtholders. Our current debt also contains restrictions on our future debt financing, but if we engage in future debt financing, the holders of debt would have priority over the holders of common shares, and we may be required to accept terms that restrict our operations or our ability to incur additional indebtedness or to take other actions that would otherwise be in the interests of the debt holders. In addition, adverse macroeconomic developments, including without limitation inflation, slowing economic growth, rising interest rates or a potential economic recession, may reduce our ability to access such capital and our ability to meet and exceed forecast. Any of the above could harm our business, results of operations and financial condition.

There can be no assurance that we will be able to achieve our forecast or to raise additional capital in sufficient amounts or on favorable terms, or at all. If we are unable to meet or exceed our forecast or raise adequate additional capital when required or in sufficient amounts or on terms acceptable to us, we may have to significantly reduce expenses, sell assets (potentially at a loss), cease operations altogether, pursue an acquisition of our company at a price that may result in up to a total loss on investment for our shareholders, file for bankruptcy or seek other protection from creditors, or liquidate all of our assets.

Our business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labor disputes and changes in the regulatory environment.

Our business is subject to a number of risks and hazards generally, including adverse environmental conditions, accidents, labor disputes and changes in the regulatory environment. Such occurrences could result in damage to assets, personal injury or death, environmental damage, delays in operations, monetary losses and possible legal liability. Although we maintain insurance to protect against certain risks in such amounts as we consider to be reasonable, our insurance does not cover all the potential risks associated with our operations. We may also be unable to maintain insurance to cover these risks at economically feasible premiums. Insurance coverage may not continue to be available or may not be adequate to cover any resulting liability. Moreover, insurance against risks such as environmental pollution or other hazards encountered in our operations is not generally available on acceptable terms. We might also become subject to liability for pollution or other hazards which may not be insured against or which we may elect not to insure against because of premium costs or other reasons. Losses from these events may cause us to incur significant costs that could have a material adverse effect upon our business, results of operations, financial condition or prospects.

Our business is dependent on skilled labor, equipment, parts, components and key inputs and any interruption or disruption could have a material adverse effect on our business, financial condition and results of operations.

Our ability to compete and grow will be dependent on our access, at a reasonable cost and in a timely manner, to skilled labor, equipment, parts and components. No assurances can be given that we will be successful in obtaining or maintaining our required supply of skilled labor, equipment, parts and components at a reasonable cost and in a timely manner, or at all. Our business is also dependent on several key inputs related to our growing operations as a vertically integrated U.S. based consumer packaged goods and pharmaceutical manufacturer in the cannabis industry including raw materials, supplies, and electricity. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact our business, financial condition and operations. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on our business, financial condition and results of operations.

Our reliance on third-party suppliers and loss of these suppliers, manufacturers and contractors may have a material adverse effect on our business and operational results.

We are reliant on third-party suppliers to develop and manufacture our products. For example, we source our vaping product inventory from one primary supplier. We have granted a security interest in all of our assets and those of our subsidiaries to this primary supplier to secure our payment obligations. There is no guarantee that we continue to fulfill such obligations and our primary supplier may elect to cease supply of its products to us and may foreclose on our pledged assets. If this primary supplier or any other suppliers that we rely on failed to fulfill their obligations or were to terminate or otherwise materially amend their existing relationship with us, or if their operations were disrupted for any reason, then we may experience a significant interruption or negative change in the availability of key materials necessary for our business. In such event, there is no guarantee that we would find an alternative supplier on terms acceptable to us, or at all. If we fail to receive a sufficient supply of necessary materials and we are unable to satisfy customer demand for our products then there could be a material adverse effect on our revenue, operating results and operating cash flows.

Additionally, due to the uncertain regulatory landscape for regulating cannabis in the U.S., our third-party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for our operations, and we might be unable to find a replacement for such services in a timely manner, or at all. Loss of these suppliers, manufacturers and contractors may have a material adverse effect on our business and operational results.

Our actual financial position and results of operations may differ materially from the expectations of our management.

Our financial position and operations may differ materially from management's expectations. The process for estimating our revenue, net income and cash flow requires subjective judgment in determining the appropriate assumptions and estimates. These estimates and assumptions may be revised as additional information becomes available and as additional analyses are performed. However, these assumptions may not prove to be accurate and other factors may affect our financial condition and operations.

We have incurred substantial indebtedness that may adversely affect our business, financial condition and results of operations and we may not be able to refinance, extend or repay this indebtedness on a timely basis or at all.

We have significant existing indebtedness. As of December 31, 2023, we had total indebtedness of $52,160. Our indebtedness could have important consequences and significant effects on our business.

For example, it could:

- increase our vulnerability to adverse changes in general economic, industry and competitive conditions;
- require us to dedicate a substantial portion of cash flow from operations to making payments on our indebtedness, thereby reducing the availability of cash flow to fund working capital, capital expenditures and other general corporate purposes;
- limit our flexibility in planning for, or reacting to, changes in our business and the industries in which we operate;
- restrict us from exploiting business opportunities;
- place us at a disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds or obtain additional financing in the future.

We could also incur additional debt in the future. The terms of our secured promissory notes do not prohibit us from incurring certain permitted indebtedness. To the extent we incur additional debt, we would become even more susceptible to the leverage-related risks described above.

The agreements governing our indebtedness contain various covenants that limit management's discretion in the operation of our business and any default under our debt agreements could have a material adverse impact on our business and operations.

On February 15, 2023, we issued the 2023 Refinanced Notes, which mature on February 15, 2026, and the 2023 New Notes (together with the 2023 Refinanced Notes, the "2023 Notes"), which mature on February 15, 2027. On May 15, 2023, we issued the 2023 Bridge Notes. On January 28, 2024, we entered into a Debt and Security Agreement with Shenzhen Smoore Technology Limited (the "Debt and Security Agreement").

The 2023 Notes and the Debt and Security Agreement contain various restrictive covenants customary for arrangements of these types that restrict our ability to, among other things:

- incur additional debt;
- pay dividends and make other distributions;
- make investments and other restricted payments;
- make acquisitions;
- merge, consolidate or transfer all or substantially all of our assets;
- enter into sale and leaseback transactions;
- create liens; and
- enter into transactions with affiliates.

The issuance of the 2023 Bridge Notes caused us to have to obtain a waiver from our note holders of the financial covenant defaults expected to occur on the 2023 Notes. As a result of the waiver, we had to pay default interest rates on the 2023 Notes, which resulted in an increase from 16.5% to 25.0%. During the three months ended September 30, 2023, the Company paid off the 2023 Bridge Notes before the maturity date, retiring the notes with no further obligations. On October 2, 2023, the Company and its subsidiaries JJ LP, Baker, CAC, and Jupiter entered into the October Forbearance Agreement, which reduced the interest rate on the 2023 Refinanced Notes to 17.0% as of September 30, 2023. Despite the Company's ability to secure a lower interest rate on the 2023 Refinanced Notes, the 17.0% interest rate is considered high and the 2023 New Notes remained at the default interest rate of 25.0% as of December 31, 2023. See Note 11 — Notes Payable for additional information. The interest payments required under these rates will constrain the Company's liquidity while these rates remain in effect. If we have to obtain a waiver of the restrictions or financial covenants in present or future financing agreements, we may be subject to increased default interest rates or have to agree to unfavorable terms which could have a material adverse impact on our business.

The 2023 Notes may be accelerated and all remedies may be exercised by the Holders in case of an event of default is declared under these notes, which includes events that customarily constitute an event of default for debt securities of this type as well as upon a change of control. A default could allow creditors to accelerate the related debt as well as any other debt to which a cross-acceleration or cross-default provision applies. A default could also allow creditors to foreclose on any collateral securing such debt. While, as of the date of this filing, the Company is not in compliance with certain payment obligations and covenants under the 2023 Refinanced Notes and the 2023 New Notes, the Holders have not provided the requisite notice of an event of default under these notes. We are currently negotiating a waiver and forbearance agreement with the Holders to address such non-compliance. The Company can provide no assurance that the parties will reach a mutually agreeable resolution.

We may not be able to generate sufficient cash flow to meet our debt service and repayment requirements and if our lenders exercise their rights in the event of a default it would have material adverse effect on our business, capital, financial condition and prospects and we would likely be forced to seek bankruptcy protection.

The 2023 Notes are subject to prepayment obligations and our ability to service our debt depends on our ability to generate the necessary cash flow. Generation of the necessary cash flow is partially subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. If we are unable to generate cash flow from operations to service or to repay these debt obligations at maturity and are otherwise unable to extend the maturity dates or refinance these obligations or obtain waivers from our debt holders, we would be in default. We cannot provide any assurances that we will have the sufficient capital or be able to raise the necessary amount of capital to repay these obligations, that we will be successful in obtaining waivers for any defaults under these obligations on favorable terms or at all, that any obligations that are convertible will be converted into equity or that we will be able to extend the maturity dates or otherwise refinance these obligations. Upon a default, the lenders under such debt would have the right to exercise their rights and remedies to collect, which would include the ability to foreclose on our assets. Accordingly, if our lenders exercise their rights or remedies in the event of a default by us, it would have a material adverse effect on our business, capital, financial condition and prospects and we would likely be forced to seek bankruptcy protection.

Mark Scatterday has significant influence over the Company and may have interests that conflict with those of our other shareholders.

Based on a Schedule 13G/A filing made with the SEC on February 27, 2023, as of that date, Mark Scatterday, who was the Chief Executive Officer of the Company from May 2019 to May 2021 and a director from April 2019 until February 2023, beneficially owned 18.5% of our outstanding common shares, after taking into account his ownership of securities that would convert into, or are exercisable for, our common shares within 60 days of such date. As a result of his beneficial ownership of our common shares and assuming conversion and exercise of his convertible securities, he has sufficient voting power to significantly influence all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. This concentration of voting power may have the effect of delaying or preventing a change in control of us or discouraging others from making tender offers for our shares, which could prevent shareholders from receiving a premium for their shares. These actions may be taken even if other shareholders oppose them. The interests of Mr. Scatterday may conflict with the interests of other shareholders. Mr. Scatterday's significant beneficial ownership may also adversely affect the trading price of our common shares due to investors' perception that conflicts of interest may exist or arise.

In addition, Mr. Scatterday, through an affiliated entity, is our largest secured creditor as the holder of approximately $22,899 in the aggregate principal amount of the total principal amount of $46,260 of our outstanding secured promissory notes as of December 31, 2023. As such, Mr. Scatterday has significant influence over our management and policies and may be in a position to determine whether to permit transactions, waive defaults or accelerate our indebtedness. Additionally, Mr. Scatterday, together with the other note holders, has the right to designate two nominees on our board of directors. As a result, the presence of directors nominated by these holders enables them to influence and impact future actions taken by our board of directors.

Our shareholders may experience significant dilution as a result of the issuances of common shares upon exercise of our outstanding warrants or the trigger of the anti-dilution rights under the warrants, and the market price of our common shares could be adversely affected.

As of December 31, 2023, we had outstanding warrants to purchase an aggregate of 101,045,592 common shares. Any future exercises of these warrants will be dilutive to our existing shareholders. The triggering of the anti-dilution rights in the warrants may also result in such securities being exercisable for a significant number of additional common shares and/or exercisable for a reduced exercise price. As a result, the number of shares issuable could prove to be significantly greater than they are currently and could result in substantial dilution to our other shareholders. Sales of substantial amounts of our common shares in the public or private market, a perception in the market that such sales could occur, or the issuance of shares as a result of exercise of the warrants or increase in the issuable securities under the warrants, could adversely affect the market price of our common shares.

We expect to incur significant ongoing costs and obligations related to our investment in infrastructure, growth, regulatory compliance and operations.

We expect to incur significant ongoing costs and obligations related to our investment in growth and regulatory compliance, which could have a material adverse effect on our operations, financial condition and cash flow. In addition, changes in regulations, heightened enforcement thereof or other unanticipated events could require extensive changes to our operations, increase compliance costs or generate material liabilities. Any of these occurrences could have a material adverse effect on our operations and financial condition. Our efforts to grow may prove to be more costly than expected, and we may not be able to increase our revenue sufficiently to offset higher operating expenses. We may incur significant losses in the future for a number of reasons, including other risks described herein, unforeseen expenses, compliance or operating difficulties, complications and delays, and other events presently unknown to us.

There is no assurance that we will be able to develop our products, which could prevent us from ever becoming profitable.

If we cannot successfully develop, manufacture and distribute our products, or if we experience difficulties in the development process, such as capacity constraints, quality control problems or other disruptions, we may not be able to develop market ready commercial products at acceptable costs, which would adversely affect our ability to effectively enter the market. A failure by us to achieve a low cost structure through economies of scale or improvements in cultivation and manufacturing processes would have a material adverse effect on our commercialization plans and our business, prospects, results of operations and financial condition.

There is no assurance that our cash flows and debt or other financing will be sufficient to fund our operations.

There is no assurance that our cash flows, and debt or other financing will be sufficient to fund the Company's operations. As of December 31, 2023 and 2022, the Company had total current liabilities of $76,072 and $125,497, respectively, and cash and cash equivalents of $2,034 and $2,202, respectively, to meet its current obligations. The Company's ability to fund operating expenses and capital expenditures will depend on its future operating performance and there are no assurances that the Company will be able to access its available debt financing or access additional debt or other financing. If the Company is unable to achieve targeted operating performance or is unable to access existing debt financing or raise additional capital or debt financing on favorable terms, if at all, the Company may be forced to decelerate or curtail certain of our operations until such time as additional debt or capital financing becomes available. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources" for additional discussion regarding its liquidity position.

We are a holding company and are dependent on the earnings and distributions by our subsidiaries.

We are a holding company and all of our assets are the capital stock of our subsidiaries in each of the markets that we operate in and/or hold or recently held licenses in the adult-use and/or medicinal cannabis marketplace in Massachusetts, Ohio and Pennsylvania; and have no material assets other than: (i) cash on hand; and (ii) ownership of our subsidiaries and minority interests in certain operating companies. As a result, our investors are subject to the risks attributable to our subsidiaries. As a holding company, we conduct substantially all of our business through our subsidiaries, which generate substantially all of our revenues. Consequently, our cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of our subsidiaries and the distribution of those earnings to us. To the extent that we require funds, and our subsidiaries and such other entities are restricted from making such distributions by applicable law, regulation or contract, or are otherwise unable to provide such funds, it could materially adversely affect our liquidity and financial condition, as well as our ability to make distributions to our shareholders. In the event of a bankruptcy, liquidation or reorganization of any of our material subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before us. We have no earnings or dividend record and the ability of these entities to pay dividends and other distributions will depend on their operating results and will be subject to applicable laws and regulations which require that solvency and capital standards be maintained by such companies and contractual restrictions contained in the instruments governing their debt. Any dividends paid by us would be subject to tax and potentially withholdings. We do not anticipate paying any dividends in the foreseeable future.

We do not intend to pay dividends and any future dividends will depend upon, among other things, the results of our operations.

We have never declared or paid any cash dividends and do not currently intend to do so in the foreseeable future. The payment and amount of any future dividends will depend upon, among other things, the results of our operations, cash flow, financial condition and variable and capital requirements. There is no assurance that future dividends will be paid and if dividends are paid, there is no assurance as to the amount of any such dividends.

We are exposed to the risk that our employees, independent contractors and consultants may engage in fraudulent or other illegal activity.

We and our affiliates will be exposed to the risk that any of our employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities that violate, (i) government regulations, (ii) manufacturing standards, (iii) federal and provincial healthcare fraud and abuse laws and regulations, or (iv) laws that require the true, complete and accurate reporting of financial information or data. It may not always be possible for us to identify and deter misconduct by our and our affiliates' employees and other third parties and the precautions taken by us to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. We cannot provide assurance that our internal controls and compliance systems will protect us from acts committed by our or our affiliates' employees, agents or business partners in violation of U.S. federal or state or local laws. If any such actions are instituted against us and we are not successful in defending or asserting our rights, those actions could have a material impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could have a material adverse effect on our business, financial condition or results of operations.

We have been or may become subject to litigation, including for possible product liability claims, which may have a material adverse effect on our reputation, business, results from operations and financial condition.

We may be named as a defendant in a lawsuit or regulatory action and may also incur uninsured losses for liabilities which arise in the ordinary course of business, or which are unforeseen, including, but not limited to, employment liability, business loss claims, and litigation, including class action lawsuits, such as those regarding the Telephone Consumer Protection Act. Any such losses could have a material adverse effect on our business, operations, sales, cash flow and financial condition.

Additionally, as a manufacturer, processor and distributor of products designed to be ingested by humans, we face an inherent risk of exposure to product liability claims, regulatory action and litigation if our products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of our products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination. Previously unknown adverse reactions resulting from human consumption of our products alone or in combination with other medications or substances could occur. Although we have quality control procedures in place, we may be subject to various product liability claims, including, among others, that the products produced by us, or the products that will be purchased by us from third-party licensed producers, caused injury, illness or death, include inadequate instructions for use or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against us could result in increased costs, could adversely affect our reputation with our customers and consumers generally and could have a material adverse effect on our business, results of operations and financial condition. There can be no assurances that we will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of our potential products.

Monitoring and defending against legal actions, whether or not meritorious, can be time-consuming, divert management's attention and resources and cause us to incur significant expenses. Adverse outcomes in some or all of these actions may result in significant monetary damages or injunctive relief that could result in material liability or adversely affect our ability to conduct our business. Litigation and other claims are subject to inherent uncertainties and management's view of these matters may change in the future. Litigation, complaints, and actions involving either us and/or our subsidiaries, regardless of the outcome, could consume considerable amounts of financial and other corporate resources, adversely impact our reputation and have a material adverse effect on the market price of our common shares and our future cash flows, earnings, results of operations and financial condition.

Failure to comply with applicable environmental laws, regulations and permit requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions.

We are subject to environmental regulations that govern, among other things, the emissions of pollutants into the air, wastewater discharges, the generation, transportation and disposal of solid and hazardous waste, the investigation and remediation of soil and groundwater contamination and the health and safety of our employees. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect our operations.

Government environmental approvals and permits are currently, and may in the future be, required in connection with our operations. To the extent such approvals are required and not obtained, we may be curtailed or prohibited from our proposed business activities or from proceeding with the development of our operations as currently proposed.

Failure to comply with applicable environmental laws, regulations and permit requirements may result in enforcement actions, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment or remedial actions. We may be required to compensate those suffering loss or damage due to our operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

We may encounter unknown environmental risks.

There can be no assurance that we will not encounter hazardous conditions, such as asbestos or lead, at the sites of the real estate used to operate our businesses, which may delay the development of our businesses. Climate change or significant weather events may accelerate or exacerbate environmental conditions in ways that adversely affect the business due to potential negative effects on agricultural conditions, increased difficulty in construction projects to support our operations, and ownership or leasing of real property generally**.** Upon encountering a hazardous condition, work at our facilities may be suspended. If we receive notice of a hazardous condition, we may be required to correct the condition prior to continuing construction. If additional hazardous conditions were present, it would likely delay construction and may require significant expenditure of our resources to correct the conditions.

We are highly dependent on certain key personnel and if we are unable to attract and retain key personnel, we may not be able to compete effectively in the cannabis market.

Our success has depended and continues to depend upon our ability to attract and retain key management, as well as technical experts and sales personnel. We will attempt to enhance our management and technical expertise by recruiting qualified individuals who possess desired skills and experience in targeted areas. Our inability to attract and retain employees or engineering and technical support resources could have a material adverse effect on our business, operations, sales, cash flow or financial condition. Shortages in qualified personnel, increased personnel costs, or the loss of key personnel could adversely affect our financial condition, operations of the business and could limit our ability to develop and market our cannabis- related products. The loss of any of our senior management or key employees could materially adversely affect our ability to execute our business plan and strategy, and we may not be able to find adequate replacements on a timely basis, or at all. We do not maintain key person life insurance policies on any of our employees.

The market price of our securities has been and may continue to be volatile and subject to wide fluctuations.

The market price for our common shares has been and may continue to be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond our control, including the following: (i) actual or anticipated fluctuations in our quarterly results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of companies in the industry in which we operate; (iv) addition or departure of our executive officers and other key personnel; (v) release or expiration of lock-up or other transfer restrictions on outstanding common shares; (vi) sales or perceived sales of additional common shares; (vii) significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; (viii) fluctuations to the costs of vital production materials and services; (ix) changes in global financial markets and global economies and general market conditions, such as interest rates and pharmaceutical product price volatility; (x) operating and share price performance of other companies that investors deem comparable to us or from a lack of market comparable companies; (xi) news reports relating to trends, concerns, technological or competitive developments, regulatory changes and other related issues in our industry or target markets; and (xii) regulatory changes in the industry.

Financial markets have at times historically experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values or prospects of such companies. Accordingly, the market price of our common shares may decline even if our operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which might result in impairment losses. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue, our operations could be adversely affected and the trading price of our common shares might be materially adversely affected.

Since our securities are currently quoted on the OTCQB, our shareholders may face significant restrictions on the re-sale of our securities due to state "blue sky" laws.

Each state has its own securities laws, often called "blue sky" laws, which (i) limit sales of securities to a state's residents unless the securities are registered in that state or qualify for an exemption from registration, and (ii) govern the reporting requirements for broker-dealers doing business directly or indirectly in the state. Before a security is sold in a state, there must be a registration in place to cover the transaction, or the transaction must be exempt from registration. The applicable broker must also be registered in that state. We do not know whether our common shares will be exempt from registration under the laws of any state. Since our common shares are currently quoted on the OTCQB, a determination regarding registration will be made by those broker-dealers, if any, who agree to serve as the market-makers for the common shares. There may be significant state blue sky law restrictions on the ability of investors to sell, and on purchasers to buy, the common shares. Investors should therefore consider the resale market for our common shares to be limited.

The Company has a history of losses and may continue to incur losses in the future.

The Company has incurred both operating and net losses in each of its last six fiscal years, has incurred losses through the first part of the current fiscal year, and may continue to incur losses in the future as it continues to invest in its facilities, products, processes and services. This lack of profitability limits the resources available to the Company to fund its operations and to invest in new products and services and otherwise improve its business operations. The Company cannot assure you that it will be able to operate profitably or generate positive cash flows. If the Company cannot achieve profitability, it may be forced to cease operations and you may suffer a total loss of your investment.

Our probable lack of business diversification could have a material adverse effect on our business.

The prospects for our success will depend upon the future performance and market acceptance of our intended facilities, products, processes and services. Unlike certain entities that have the resources to develop and explore numerous product lines, operating in multiple industries or multiple areas of a single industry, we do not anticipate the ability to immediately diversify or benefit from the possible spreading of risks or offsetting of losses.

Our industry is experiencing rapid growth and consolidation that may cause us to lose key relationships and intensify competition.

The cannabis industry is undergoing rapid growth and substantial change, which has resulted in an increase in competitors, consolidation and formation of strategic relationships. Acquisitions or other consolidating transactions could harm us in several ways, including the loss of strategic partners if they are acquired by or enter into relationships with a competitor, the loss of customers, revenue and market share, or us being forced to expend greater resources to meet new or additional competitive threats, all of which could harm our operations. As competitors enter the market and become increasingly sophisticated, competition in our industry may intensify and place downward pressure on prices for our products, which could negatively impact our profitability.

We may not be able to secure adequate or reliable sources of funding required to operate our business and meet consumer demand for our products.

There is no guarantee that we will be able to achieve our business objectives. Our continued development may require additional financing. The failure to raise such capital could result in the delay or indefinite postponement of our current business objectives. There can be no assurance that additional capital or other types of financing will be available or that, if available, the terms of such financing will be favorable to us. In addition, from time to time, we may enter into transactions to acquire assets or shares of other companies. These transactions may be financed wholly or partially with debt, which may increase our debt levels above industry standards. Any debt financing secured in the future could involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and pursue business opportunities, including potential acquisitions. Debt financings may also contain provisions which, if breached, may entitle lenders or their agents to accelerate repayment of loans and/or realize security over our assets. There is no assurance that we would be able to repay such loans in such an event or prevent the enforcement of security granted pursuant to such debt financing.

Product recalls could result in a material and adverse impact on our business, financial condition and results of operations.

Manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labelling disclosure. Although we have detailed procedures in place for testing our products and make significant efforts to ensure that our service providers implement procedures of a similar nature, there can be no assurance that any quality, potency or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action or lawsuits. If any of our products are recalled due to an alleged product defect or for any other reason, we could be required to incur the unexpected expense of the recall and any legal proceedings that might arise thereto. We may lose a significant number of sales and may not be able to replace those sales at an acceptable margin or at all. In addition, a product recall may require significant management attention. Additionally, if one of our significant brands were subject to recall, the image of that brand and we could be harmed. Consumers may lose confidence in our products whether affected or not and our brand may be materially damaged. We may also be unable to meet customer demand and may lose customers who have to purchase alternative brands or products. A loss of sales volume from a contamination event may occur, and such a loss may affect our ability to supply our current customers and to recapture their business in the event they are forced to switch products or brands, even if on a temporary basis. Moreover, product recalls can lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses. A recall for any reason could lead to decreased demand for our products and could have a material adverse effect on our operations and financial condition.

Our officers and directors may be engaged in a range of business activities which could result in a conflict of interest.

We may be subject to various potential conflicts of interest because some of our officers and directors may be engaged in a range of business activities. In addition, our executive officers and directors may devote time to their outside business interests, so long as such activities do not materially or adversely interfere with their duties to us. In some cases, our executive officers and directors may have fiduciary obligations associated with these business interests that interfere with their ability to devote time to our business and affairs and that could adversely affect our operations. These business interests could require significant time and attention of our executive officers and directors.

In addition, we may also become involved in other transactions which conflict with the interests of our directors and the officers who may from time to time deal with persons, firms, institutions or companies with which we may be dealing, or which may be seeking investments like those desired by us. The interests of these persons could conflict with our interests. In addition, from time to time, these persons may be competing with us for available investment opportunities. Conflicts of interest, if any, will be subject to the procedures and remedies provided under applicable laws. In particular, if such a conflict of interest arises at a meeting of our directors, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In accordance with applicable laws, our directors are required to act honestly, in good faith and in our best interests.

Management may not be able to successfully implement and maintain adequate internal controls over financial reporting.

We are subject to various reporting and other regulatory requirements in Canada and the U.S. We have incurred and will continue to incur expenses and, to a lesser extent, diversion of our management's time in our efforts to comply with Section 404 of the Sarbanes-Oxley Act and requirements in Canada regarding internal controls over financial reporting. Effective internal controls over financial reporting are necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation could cause us to fail to meet our reporting obligations. In addition, any testing we conduct in connection with Section 404 of the Sarbanes-Oxley Act, or the subsequent testing by our independent registered public accounting firm when required, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retrospective changes to our consolidated financial statements or identify other areas for further attention or improvement. Inferior internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of the common shares and an adverse effect on our business.

We face costs of maintaining a public listing and being a reporting company in Canada and the U.S. which could adversely affect our business, financial condition and results of operations.

As a public company with securities listed on the Cboe Canada, there are costs associated with legal, accounting and other expenses related to regulatory compliance. Securities legislation and the rules and policies of the Cboe Canada require listed companies to, among other things, adopt corporate governance and related practices, and to continuously prepare and disclose material information, all of which add to a company's legal and financial compliance costs. We may also elect to devote greater resources than we otherwise would have on communication and other activities typically considered important by publicly traded companies.

In addition, we are subject to the reporting requirements, rules and regulations under applicable Canadian and U.S. securities laws. The requirements of existing and potential future rules and regulations under applicable Canadian and U.S. securities laws will increase our legal, accounting and financial compliance costs, make some activities more difficult, time-consuming or costly and may place undue strain on our personnel, systems and resources, which could adversely affect our business, financial condition and results of operations.

Our emerging growth company status and our smaller reporting company status allows us certain exemptions from various reporting requirements.

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012. As an emerging growth company, we may take advantage of specified reduced disclosure and other exemptions from requirements that are otherwise applicable to public companies that are not emerging growth companies. We have elected to use this exemption from new or revised accounting standards and, therefore, we will not be subject to the same new or revised accounting standards as other public companies.

For as long as we continue to be an emerging growth company, we intend to take advantage of certain other exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We will remain an emerging growth company until the earliest of (i) the last day of the year in which we have total annual gross revenue of $1.235 billion or more; (ii) the last day of the year following the fifth anniversary of the first sale of the common equity securities pursuant to an effective registration under the Securities Act of 1933, as amended (the

"Securities Act"); (iii) the date on which we have issued more than $1.0 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

We are also currently a "smaller reporting company," meaning that we are not an investment company, an asset-backed issuer, or a majority-owned subsidiary of a parent company that is not a smaller reporting company, and we have (a) a public float of less than $250 million or (b) annual revenues of less than $100 million during the most recently completed fiscal year for which audited financial statements are available and (i) no public float or (ii) a public float of less than $700 million.

In the event that we are still considered a smaller reporting company at such time as we cease being an emerging growth company, the disclosure we will be required to provide in our SEC filings will increase, but it will still be less than it would be if we were not considered either an emerging growth company or a smaller reporting company. Specifically, similar to emerging growth companies, smaller reporting companies are able to provide simplified executive compensation disclosures in their filings; are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting; and have certain other decreased disclosure obligations in their SEC filings, including, among other things, only being required to provide two years of audited financial statements in annual reports.

We cannot predict if investors will find our common shares less attractive because we will rely on the exemptions available to emerging growth companies and smaller reporting companies. If some investors find our common shares less attractive as a result, then there may be a less active trading market for our common shares and our stock price may be more volatile.

We may not be able to develop and maintain lasting relationships with consumers.

Our success depends on our ability to attract and retain customers. There are many factors which could impact our ability to attract and retain customers, including but not limited to brand awareness, our ability to continually produce desirable and effective cannabis products, the successful implementation of our consumer-acquisition plan and the continued growth in the aggregate number of consumers purchasing cannabis products. Our failure to acquire and retain consumers could have a material adverse effect on our business, financial condition and operations.

Our web presence's visibility is not limited by geography.

Internet websites are visible by people everywhere, not just in jurisdictions where the activities described therein are considered legal. As a result, to the extent we sell services or products via web-based links targeting only jurisdictions in which such sales or services are compliant with state law, we may face legal action in other jurisdictions which are not the intended object of any of our marketing efforts for engaging in any web-based activity that results in sales into such jurisdictions deemed illegal under applicable laws.

We may have increased labor costs based on union activity.

Labor unions are working to organize workforces in the cannabis industry in general. Currently, there is no labor organization that has been recognized as a representative of our employees. However, it is possible that certain retail and/or manufacturing locations will be organized in the future, which could lead to work stoppages or increased labor costs and adversely affect our business, profitability and our ability to reinvest into the growth of our business. We cannot predict how stable our relationships with U.S. labor organizations would be or whether we would be able to meet any unions' requirements without impacting our financial condition. Labor unions may also limit our flexibility in dealing with our workforce. Work stoppages and instability in union relationships could delay the production and sale of our products, which could strain relationships with customers and cause a loss of revenues which would adversely affect our operations.

Risks Related to Macro-Economic Conditions

Our operations and financial condition could be adversely impacted by a material downturn in global financial conditions.

Global financial conditions have historically experienced extreme volatility. Economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability and natural disasters. Any sudden or rapid destabilization of global economic conditions could impact our ability to obtain equity or debt financing in the future on terms favorable to us. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. Further, in such an event, our operations and financial condition could be adversely impacted.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the cannabis industry, supply and demand for commodities, political developments, legislative or regulatory changes, social or labor unrest and stock market trends will affect our operating environment and our operating costs and profit margins and the price of our securities. Any negative events in the global economy could have a material adverse effect on our business, financial condition, results of operations or prospects.

Increased prices and inflation could negatively impact our margin performance and our financial results.

Increased inflation, including rising prices for raw materials, components, labor and energy increases the costs to manufacture and distribute our products and we may be unable to pass these costs on to our customers. Additionally, we are exposed to fluctuations in other costs such as labor and energy prices. If inflation in these costs increases beyond our ability to control for them through measures such as implementing operating efficiencies, we may not be able to increase prices to sufficiently offset the effect of various cost increases without negatively impacting customer demand, thereby negatively impacting our margin performance and results of operations.

We may be adversely affected by boycotts, civil unrest, trade disputes, and other geo-political disruptions.

We may be adversely affected by boycotts, civil unrest and other geo-political disruptions. These events may damage our properties, deny us access to an adequate workforce, increase the cost of energy and other raw materials, temporarily or permanently close our facilities, disrupt the production, supply and distribution of our products and potentially disrupt information systems.

If significant tariffs or other restrictions are placed on goods imported into the U.S. from China or any related countermeasures are taken by China, our revenue and results of operations may be materially harmed. Currently, the average tariffs on the majority of goods imported from China is 19.8%, which is significantly higher than before additional duties were imposed in 2018. These tariffs apply primarily to our vaporizer and vaporizer accessory products, and as a result, the cost of our products may increase. In addition, any such additional tariffs may also make our products more expensive for consumers, which may reduce consumer demand. We may need to offset the financial impact by, among other things, moving our product manufacturing to other locations where feasible, modifying other business practices or raising prices. If we are not successful in offsetting the impact of any such tariffs, our revenue, gross margins and operating results may be adversely affected.

International conflict has materially adversely affected and is likely to continue to materially adversely affect global trade, currency exchange rates, regional economies and the global economy. In particular, while it is difficult to anticipate the impact of any of the foregoing on us, the conflict and actions taken in response to the conflict could increase our costs, reduce our sales and earnings, impair our ability to raise additional capital when needed on acceptable terms, if at all, or otherwise adversely affect our business, financial condition and results of operations.

Risks Related to our Intellectual Property and Information Technology

We may be subject to risks related to the protection and enforcement of our intellectual property rights and may become subject to allegations that we are in violation of intellectual property rights of third parties.

As long as cannabis remains illegal under U.S. federal law, the benefit of certain federal laws and protections which may be available to most businesses, such as federal trademark and patent protection regarding the intellectual property of a business, may not be available us. As a result, our intellectual property may never be adequately or sufficiently protected against the use or misappropriation by third parties. In addition, since the regulatory framework of the cannabis industry is in a constant state of flux, we can provide no assurance that we will ever obtain any protection of our intellectual property, whether on a federal, state or local level.

Ownership and protection of intellectual property rights is a significant aspect of our future success. Currently we rely on trade secrets, technical know-how and proprietary information that are not protected by patents to maintain our competitive position. We try to protect such intellectual property by entering into confidentiality agreements with parties that have access to it, such as business partners, collaborators, employees and consultants. If any of these parties breach these agreements, we may not have adequate remedies available. Additionally, our trade secrets and technical know-how, which are not protected by patents, may otherwise become known to or be independently developed by competitors, in which case our business, financial condition and operations could be materially adversely affected.

Unauthorized parties may attempt to replicate or otherwise obtain and use our products, trade secrets, technical know-how and proprietary information. Policing the unauthorized use of our current or future intellectual property rights and enforcing those rights could be difficult, expensive, time-consuming and unpredictable. Identifying unauthorized use of intellectual property rights is difficult and we may be unable to effectively monitor and evaluate the products being distributed by our competitors and the processes used to produce such products. Additionally, some or all of our current or future trademarks, patents, proprietary know-how, arrangements, agreements or other intellectual property rights seeking to protect us, may be found invalid, not infringed, unenforceable or anti-competitive in an infringement proceeding. An adverse result in any litigation or defense proceedings could put one or more of our current or future trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could materially and adversely affect our business, financial condition and results of operations.

Other parties may claim that our products infringe on their proprietary and other protected rights. Such claims, if meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. We may also need to obtain licenses from third parties who allege that we have infringed on their lawful rights. As such, we may not be able to obtain or utilize such rights or licenses at all or on terms that are favorable to us.

We may be forced to litigate to defend our intellectual property rights, or to defend against claims by third parties against us relating to intellectual property rights.

We may be forced into litigation to enforce or defend our intellectual property rights, protect our trade secrets or determine the validity and scope of other parties' proprietary rights. Any such litigation could be very costly and could distract our management from focusing on operations. The existence and/or outcome of any such litigation could harm our business. Because the content of much of our intellectual property concerns cannabis and other activities that are not legal in some jurisdictions, we may face additional difficulties in defending our intellectual property rights. For instance, the USPTO does not allow trademarks directly related to cannabis and cannabis products to be registered due to the illegal nature of the business and products under federal law.

We are reliant on information technology systems and may be subject to damaging cyber-attacks or security breaches.

We have and will continue to enter into agreements with third parties for hardware, software, telecommunications and other information technology ("IT") services regarding our operations. Our operations depend, in part, on how well we and our suppliers protect networks, equipment, IT systems and software against damage from many threats, including, but not limited to, cable cuts, damage to physical plants, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. Our operations also depend on the timely maintenance, upgrade and replacement of networks, equipment, IT systems and software, as well as pre-emptive expenses to mitigate the risks of failures. Any of these and other events could result in information system failures, delays and/or increase in capital expenses. The failure of information systems or a component of information systems could, depending on the nature of any such failure, adversely impact our reputation and results of operations.

We have not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that we will not incur such losses in the future. Our risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, we may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

Given the nature of our products and our lack of legal availability outside of channels approved by applicable governmental and regulatory authorities, as well as the concentration of inventory in our facilities, there remains a risk of security as well as theft. If there was a breach in security systems and we become a victim of robbery or theft, the loss of cannabis plants, cannabis oils, cannabis flowers and cultivation and processing equipment, or if there was a failure of information systems or a component of information systems, depending on the nature of any such breach or failure, it could adversely impact our reputation, business continuity and results of operations. A security breach at one of our facilities could expose us to additional liability and to potentially costly litigation, increase our expenses relating to the resolution and future prevention of such breaches and deter potential consumers from choosing our products.

We are subject to data privacy laws, rules and regulations and any non-compliance with such laws, rules and regulations, could adversely affect our business, financial condition and operating results.

We are subject to laws, rules and regulations in the U.S. (such as the California Consumer Privacy Act ("CCPA")) and other jurisdictions relating to the collection, processing, storage, transfer and use of personal data. Our ability to execute transactions and to possess and use personal information and data in conducting our business subjects us to legislative and regulatory burdens that may require us to notify regulators, customers, investors and the public, employees and other individuals of a data security breach. Evolving compliance and operational requirements under the CCPA and the privacy laws, rules and regulations of other jurisdictions in which we operate impose significant costs that are likely to increase over time. In addition, non-compliance could result in proceedings against us by governmental entities and/or significant fines, could negatively impact our reputation and may otherwise adversely impact our business, financial condition and operating results.

Risks Related to our Acquisitions and Growth Strategy

We may not be able to successfully identify and execute future acquisitions or dispositions, or to successfully manage the impacts of such transactions on our operations.

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruptions of our ongoing business; (ii) distractions of management; (iii) an increase in our leverage financially; (iv) failure to realize the anticipated benefits and cost savings in a reasonable time frame, or at all; (v) an increase in the scope and complexity of our operations; and (vi) a loss or reduction of control over certain of our assets.

The presence of one or more material liabilities of an acquired company that are unknown to us at the time of acquisition could have a material adverse effect on our results of operations, business prospects and financial condition. A strategic transaction may result in a significant change to our business, operations and strategy. In addition, we may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into our operations.

We may complete additional acquisitions, enter into new lines of business and expand into new geographic markets and businesses, each of which may result in upfront costs and additional risks and uncertainties in our businesses.

We intend, if market conditions warrant, to grow our businesses by acquiring additional businesses, expanding existing products lines, entering into new product lines and entering new geographic markets. Attempts to expand our businesses involve a number of special risks, including some or all of the following:

- the required investment of capital and other resources;
- the diversion of management's attention from our existing businesses;
- the assumption of liabilities in any acquired business;
- the disruption of our ongoing businesses;
- entry into markets or lines of business in which we may have limited or no experience;
- compliance with or applicability to our businesses of regulations and laws, including, in particular, regulations and laws in new states and localities, and a lack of experience in interacting with the regulatory authorities responsible for enforcing these regulations and laws; and
- increasing demands on our operational and management systems and controls.

There may be additional risks we may face after we identify specific potential new acquisitions, product line expansions, and expansions into new geographic markets or lines of business.

Our ability to complete strategic alliances or partnerships will be dependent on and may be limited by the availability of suitable candidates and capital.

We currently have, and may in the future enter, into partnerships or strategic alliances with third parties that we believe will complement or augment our existing business. Such partnerships or strategic alliances could present unforeseen integration obstacles or costs, may not enhance our business and may involve risks that could adversely affect us, including significant amounts of management's time that may be diverted from operations in order to pursue and complete such transactions or maintain such strategic alliances. Future strategic alliances or partnerships could result in the incurrence of additional debt, costs and contingent liabilities and there can be no assurance that future strategic alliances or partnerships will achieve, or that our existing strategic alliances or partnerships will continue to achieve, the expected benefits to our business or that we will be able to consummate future strategic alliances on satisfactory terms, or at all. Any of the foregoing could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to effectively manage our growth and operations, which could materially and adversely affect our business.

If we implement our business plan as intended, we may in the future experience rapid growth and development. The management of this growth will require, among other things, continued development of our financial and management controls and information systems, stringent control of costs, the ability to attract and retain qualified management personnel and the training of new personnel. We intend to outsource resources and hire additional personnel to manage our expected growth and expansion. Failure to successfully manage our possible growth and development could have a material adverse effect on our business and the value of our equity.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 1C. CYBERSECURITY

Risk Management and Strategy

The Company has processes for assessing, identifying, and managing material risks from cybersecurity threats. These processes are integrated into the Company's overall risk management systems, as overseen by the Company's board of directors (the "Board"), primarily through its audit committee of the Board (the "Audit Committee"). These processes also include overseeing and identifying risks from cybersecurity threats associated with the use of third-party service providers. The Company conducts security assessments of certain third-party providers before engagement and has established monitoring procedures in its effort to mitigate risks related to data breaches or other security incidents originating from third parties.

As of the date of this Annual Report on Form 10-K, the Company is not aware of any cybersecurity incidents that have materially affected or are reasonably likely to materially affect the Company, including its business strategy, results of operations, or financial condition and that are required to be reported in this Annual Report on Form 10-K. For further discussion of the risks associated with cybersecurity incidents, see the cybersecurity risk factors in Item 1A. Risk Factors, *"We are reliant on information technology systems and may be subject to damaging cyber-attacks or security breaches"* and *"We are subject to data privacy laws, rules and regulations and any non-compliance with such laws, rules and regulations, could adversely affect our business, financial condition and operating results"* in this Annual Report on Form 10-K.

Governance

Board of Directors

The Audit Committee oversees, among other things, the adequacy and effectiveness of the Company's internal controls, including internal controls designed to assess, identify, and manage material risks from cybersecurity threats. The Audit Committee is informed of material risks from cybersecurity threats pursuant to the escalation criteria as set forth in the Company's disclosure controls and procedures. The Company's Senior Vice President Head of Information Technology ("SVP IT") provides reports on cybersecurity matters, including material risks and threats, annually or more frequently as appropriate to the Board, including to the Audit Committee.

Management

Under the oversight of the Audit Committee, and as directed by the SVP IT, Company management is primarily responsible for the assessment and management of material cybersecurity risks.

The SVP IT brings over two decades of extensive experience in global technology organizations spanning various industries. With a background encompassing more than 20 years of expertise in information security, risk management, and compliance, the SVP IT has successfully led cyber security initiatives and ensured compliance with regulatory standards such as Payment Card Industry ("PCI") and Sarbanes-Oxley ("SOX"). The SVP IT is also supported by an Incident Response Team Security Officer ("IRT Security Officer") who provides cross-functional support for cybersecurity risk management and facilitates the response to any cybersecurity incidents. The Company's IRT Security Officer has completed rigorous cybersecurity awareness and threat response training, equipped with the skills to develop effective incident response plans and swiftly mitigate emerging cyber threats. With expertise in threat detection, incident coordination, and remediation, the IRT Security Officer contributes to enhancing the Company's cybersecurity posture and readiness.

The SVP IT oversees the Company's cybersecurity incident response plan and related processes that are designed to assess and manage material risks from cybersecurity threats. The SVP IT also coordinates with the Company's General Counsel and Interim Chief Financial Officer and Chief Accounting Officer (the "Interim CFO and CAO") to assess and manage material risks from cybersecurity threats. The SVP IT is informed about and monitors the prevention, detection, mitigation, and remediation of cybersecurity incidents pursuant to criteria set forth in the Company's incident response plan and related processes.

The Company's Disclosure Committee, with the assistance of its Cybersecurity Subcommittee, is responsible for overseeing the establishment and effectiveness of controls and other procedures, including controls and procedures related to the public disclosure of material cybersecurity matters. The Company's Disclosure Committee is comprised of, among others, the Interim CFO and CAO, General Counsel, Vice President of Investor Relations and Communications, Corporate Controller, and Financial Reporting Manager. The Cybersecurity Subcommittee of the Company's Disclosure Committee is comprised of, among others, the Company's Interim CFO and CAO, SVP IT, General Counsel, Corporate Controller, and IRT Security Officer.

The SVP IT, or a delegate, informs the Cybersecurity Subcommittee of certain cybersecurity incidents that may potentially be determined to be material pursuant to escalation criteria set forth in the Company's incident response plan and related processes. The Cybersecurity Subcommittee is also primarily responsible for advising the Disclosure Committee and the Company's CEO and Interim CFO and CAO regarding cybersecurity disclosures in public filings. The SVP IT, with the General Counsel in attendance, also notifies the Audit Committee chair of any material cybersecurity incidents.

ITEM 2. PROPERTIES

Leases

The following table sets forth the Company's principal properties as of December 31, 2023:

Location	Square Feet	Purpose	Segment	Leased/Owned
Phoenix, AZ	13,115	Administrative/R&D	Accessories/Corporate	Leased
Cambridge, MA	9,882	Retail (medical only dispensary)	Cannabis	Leased
Taunton, MA	539,273 *	Cultivation, manufacturing/processing, and retail sale/distribution	Cannabis	Leased
Taunton, MA	20,000	Retail sale/distribution	Cannabis	Leased
Brockton, MA	6,000	Retail sale/distribution	Cannabis	Leased
Garfield Heights, OH	24,314	Manufacturing/processing and distribution	Cannabis	Leased
Elyria, OH	6,180	Vacant	Cannabis	Owned
White Haven Borough, PA	478,724 *	Cultivation, manufacturing/processing, and distribution	Cannabis	Leased
Total Square Footage	1,097,488			

* Represents total square footage of parcel

All properties are subject to liens by creditors as described in Note 11 — Notes Payable to the consolidated financial statements for the fiscal year ended December 31, 2023.

All dollar amounts expressed in thousands, except per share amounts

ITEM 3. LEGAL PROCEEDINGS

Other than as described below, the Company is not aware of any material legal proceedings or regulatory actions that the Company is a party to, or that any of its property is the subject of, and no such proceedings are known by the Company to be contemplated.

The Company has been named as a defendant in several legal actions and is subject to various risks and contingencies arising in the normal course of business. Management is of the opinion that the outcome of these uncertainties will not have a material adverse effect on the Company's financial position.

On February 2, 2021, the Haze Corp., Nevada ("Haze NV") filed a complaint in Clark County, Nevada's Eighth Judicial District Court against Brand Canna Growth Partners, Inc. ("BCGP"), Michael Orr, Santé Veritas Holdings, Inc. ("SVH") and SVT. As explained below, Haze NV later amended its complaint to name a second plaintiff, the Haze Corp., Ontario ("Haze Ontario," and together with Haze NV, the "Plaintiffs"). SVH and SVT are wholly owned subsidiaries of the Company. In the operative complaint, Plaintiffs allege that Haze Ontario entered into a Finders' Fee Agreement with BCGP in 2017 and under that agreement Haze Ontario is owed payments for acquisitions that it facilitated. Plaintiffs further allege that Haze Ontario assigned its rights to payment under the Finder's Fee Agreement to Haze NV. Plaintiffs allege that BCGP is influenced and governed by SVH and SVT because they had the same principal, defendant Michael Orr, and SVH and SVT are liable for BCGP's or Orr's obligations under the Finders' Fee Agreement. SVT and SVH moved for dismissal. On May 13, 2021, the court granted the motion without prejudice. On May 17, 2021, Haze NV moved for leave to amend its complaint, adding Haze Ontario as a plaintiff and again naming SVT and SVH as defendants. That motion to amend was granted by the court on June 29, 2021. SVT and SVH again moved to dismiss on July 23, 2021. On August 10, 2021, Plaintiffs again moved to amend, seeking to add TILT Holdings Inc. ("TILT") and TILT Holdings US, Inc. ("TILT US" and, collectively with SVT, SVH and TILT, the "TILT Parties") as defendants. On October 7, 2021, the motions to dismiss were denied without prejudice and the court ordered the parties to participate in limited jurisdictional discovery before entertaining renewed motions to dismiss. Upon the closing of the limited jurisdictional discovery period, the TILT Parties moved to dismiss on April 19, 2023. By order dated August 29, 2023, the court granted the TILT Parties' motion to dismiss due to lack of personal jurisdiction. The Plaintiffs filed a notice of appeal on September 8, 2023. By order dated March 18, 2024, the Supreme Court of the State of Nevada dismissed the Plaintiffs' appeal due to lack of appellate jurisdiction.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The common shares are listed on the Cboe Canada (formerly known as the NEO Exchange) under the symbol "TILT". The common shares were also previously quoted on the OTCQX until September 5, 2023. The common shares are currently quoted on the OTCQB under the symbol "TLLTF". The Company's compressed shares ("Compressed Shares") are not listed or quoted on any exchange and there is no established public trading market for the Compressed Shares.

The following table indicates the high and low values with respect to trading activity for the common shares on the Cboe Canada for the periods indicated below (Source: Refinitiv EIKON).

Period	Low Trading Price (C$)	High Trading Price (C$)
Year Ended December 31, 2023		
Fourth Quarter Ended December 31, 2023	0.020	0.090
Third Quarter Ended September 30, 2023	0.025	0.095
Second Quarter Ended June 30, 2023	0.025	0.095
First Quarter Ended March 31, 2023	0.050	0.130
Year Ended December 31, 2022		
Fourth Quarter Ended December 31, 2022	0.040	0.195
Third Quarter Ended September 30, 2022	0.155	0.260
Second Quarter Ended June 30, 2022	0.120	0.390
First Quarter Ended March 31, 2022	0.225	0.415

The price of the common shares as quoted by the Cboe Canada at the close of business on December 31, 2023, was C$ 0.025.

The following table indicates the high and low values with respect to trading activity for the common shares on the OTCQX or OTCQB, as applicable, for the periods indicated below (Source: Refinitiv EIKON). Any over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commission and may not necessarily represent actual transactions.

Period	Low Trading Price (US$)	High Trading Price (US$)
Year Ended December 31, 2023		
Fourth Quarter Ended December 31, 2023	0.02	0.07
Third Quarter Ended September 30, 2023	0.02	0.07
Second Quarter Ended June 30, 2023	0.02	0.07
First Quarter Ended March 31, 2023	0.04	0.09
Year Ended December 31, 2022		
Fourth Quarter Ended December 31, 2022	0.03	0.15
Third Quarter Ended September 30, 2022	0.11	0.21
Second Quarter Ended June 30, 2022	0.07	0.31
First Quarter Ended March 31, 2022	0.17	0.35

All dollar amounts expressed in thousands, except per share amounts

Shareholders

As of February 29, 2024, there are 904 holders of record of common shares and zero holders of record of the Compressed Shares.

Dividends

The payment of dividends on the common shares will be at the discretion of the Board and will depend on the Company's financial condition and the need to finance the Company's business activities. The Company has not paid any dividends on any class of its securities since incorporation; however, there are no restrictions in the Articles of the Company that could prevent the Company from paying dividends if the financial condition of the Company warranted such payment. Any future determination to pay dividends will be at the discretion of the Board and will depend, among other things, on the Company's financial condition, earnings, business environment, operating results, capital requirements, any contractual restrictions on the payment of dividends and any other factors that the Board considers relevant.

Unregistered Sales of Equity Securities and Use of Proceeds

A total of 110,690 common shares were issued during the quarterly period ended December 31, 2023 to a former employee. The issuance of the securities described in this paragraph was made in reliance upon the exemption from registration requirements pursuant to Section 4(a)(2) of the Securities Act. The Company did not receive any proceeds from the issuance**.**

Issuer Purchases of Equity Securities

None.

ITEM 6. RESERVED

Not applicable.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our accompanying consolidated financial statements and the related notes included elsewhere in this Annual Report on Form 10-K. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including but not limited to those described in the Item 1A. *Risk Factors* section of this Annual Report. See also the *Cautionary Note Regarding Forward-Looking Statements*, as actual results may differ materially from those anticipated in these forward-looking statements and information.

Overview

The Company was incorporated under the laws of Nevada pursuant to NRS Chapter 78 on June 22, 2018. The Company was continued under the BCBCA pursuant to a Certificate of Continuance dated November 14, 2018. The Company's head office is located in Phoenix, Arizona and its registered office is located in Vancouver, British Columbia.

The Company operates through two business divisions: Inhalation Technology and Cannabis. The Inhalation Technology division encompasses the Jupiter business, through which the Company sells vape and accessory products and services to regulated markets across 40 states in the U.S., as well as Canada, Israel, South America and the European

Union. The Cannabis division includes operations in Massachusetts at CAC, in Pennsylvania at Standard Farms PA and in Ohio at Standard Farms OH.

Through CAC, the Company operates a vertically integrated marijuana facility in Taunton, Massachusetts, dually licensed for both medical and adult-use cultivation, manufacturing and retail sales and a dispensary, also dually licensed for both medical and adult-use retail sales, in Brockton, Massachusetts. CAC also has another medical dispensary operating in Cambridge, Massachusetts. Through these operating facilities the Company produces, packages, and sells a variety of cannabis flower, vape cartridge, concentrate, edible and topical products via wholesale and retail to Massachusetts customers.

Through Standard Farms PA, the Company operates a fully licensed integrated cultivation and manufacturing facility specializing in high-quality medical cannabis products such as vape cartridges, flower, capsules, oil syringes and tinctures, all of which are sold via wholesale to Pennsylvania customer throughout the Commonwealth.

Through Standard Farms OH's facility outside Cleveland, Ohio, the Company produces high-quality medical cannabis products from cannabis biomass including tinctures, vape cartridges, syringes, topicals, concentrates and edibles, which are then sold and distributed throughout Ohio via wholesale to other licensed cannabis businesses.

Please refer to Note 20 — Subsequent Events in this Annual Report on Form 10-K for information regarding developments that occurred subsequent to December 31, 2023.

Certain Trends and Uncertainties

The Company's business, financial condition and results of operations may be impacted by certain trends and uncertainties. See Item 1A. *Risk Factors* in this Annual Report on Form 10-K and Liquidity and Capital Resources below for a discussion of these and other risks that may affect the Company.

Results of Operations

The Company reports the results of operations of its affiliates and subsidiaries from the date that control commences, either through the purchase of the business or control through a management agreement. The following selected financial information includes only the results of operations after the Company established control of affiliates and subsidiaries. Accordingly, the information included below may not be representative of the results of operations of such affiliates or subsidiaries had their results of operations been included for the entire reporting period.

Year Ended December 31, 2023 Compared to Year Ended December 31, 2022

	Year Ended December 31,	
	2023	2022
Revenues, net	$ 165,956	$ 174,188
Cost of goods sold	(141,580)	(136,020)
Gross profit	24,376	38,168
Operating loss	(43,152)	(90,862)
Total other expense	(24,004)	(13,596)
Loss from operations before income tax and non-controlling interest	(67,156)	(104,458)
Net loss before non-controlling interest	(63,817)	(107,464)
Net income attributable non-controlling interest	1,433	9
Net loss attributable to TILT Holdings Inc.	(62,384)	(107,455)

All dollar amounts expressed in thousands, except per share amounts

Revenue

Revenue represents the amount the Company expects to receive for goods and services in its contracts with customers, net of discounts and sales taxes. The Company's revenue is derived from the following:

Sale of Goods — Vaporization and Inhalation Devices:

Revenue from the wholesale sales of accessories is recognized when the Company transfers control and satisfies its performance obligations on wholesale sales of accessories. Revenue is recognized from product sales at a point in time following the transfer of control of such products to the customer, which typically occurs upon shipment or delivery, depending on the terms of sale with the customer.

Sale of Goods — Cannabis:

Revenue from the direct sale of goods to customers for a fixed price is recognized when the Company transfers control of the goods to the customer. The Company transfers control and satisfies its performance obligations on retail sales upon delivery and acceptance from the customer. For dispensary sales, this occurs at the point of sale at the dispensary. The Company satisfies its performance obligation on wholesale sales when goods are delivered to the customer.

Revenue for the year ended December 31, 2023 was $165,956, down from $174,188 for the year ended December 31, 2022, reflecting a year-over-year decrease of $8,232 or 5%. The decrease was primarily attributable to Jupiter which decreased revenue by $8,097 or 6%, mainly driven by a lower average price in certain product lines as market prices have decreased. Additionally, revenue in the Cannabis division for the year ended December 31, 2022 decreased by $135 or 0% year-over-year, mainly in the Company's Massachusetts operations driven by lower wholesale volume and price normalization across the market. The foregoing decrease in revenue from Massachusetts was offset by the revenue from Pennsylvania and Ohio cannabis operations, which increased year-over-year driven primarily by growing sales volume.

Cost of Goods Sold, Gross Profit and Gross Margin Percentage

Cost of goods sold for the year ended December 31, 2023 was $141,580, up from $136,020 for the year ended December 31, 2022, reflecting a year-over-year increase of $5,560 or 4%, primarily due to non-cash adjustments to inventory in the Cannabis division as a result of a shift in the Company's product strategy aimed at better aligning resources and product offerings with trends in customer demand which led the Company to conclude that certain products were obsolete and other products required adjustment to their net realizable value. Increased Cannabis division sales volume in Pennsylvania and Ohio contributed to the year-over-year increase in cost of goods sold, partially offset by decreased cost of goods sold at Jupiter mainly due to lower average cost per unit in certain product lines.

Gross profit reflects revenue less production costs primarily consisting of labor, materials, rent and facilities, supplies, overhead, and amortization on production equipment, shipping, packaging and other expenses required to grow and manufacture cannabis products. Gross margin represents gross profit as a percentage of revenue.

The Company's gross profit for the year ended December 31, 2023 was $24,376, down from $38,168 for the year ended December 31, 2022, which reflects a year-over-year decrease of $13,792 or 36%. Gross margin was 15% and 22% for the years ended December 31, 2023 and 2022, respectively. The decrease in gross profit and gross margin was mainly due to the non-cash inventory adjustments in the Cannabis division described above and price normalization in Massachusetts and Pennsylvania cannabis markets.

Total Operating Expenses

Total operating expenses primarily consist of costs incurred at the Company's corporate offices, share-based compensation, personnel costs including wages and employee benefits, professional service costs including accounting and legal expenses, rental costs associated with certain of the Company's offices and facilities, insurance expenses, costs associated with advertising and marketing the Company's products and other general and administrative expenses which support the Company's business.

The following is a summary of the Company's operating expenses derived from the consolidated financial statements of the Company for the years ended December 31, 2023 and 2022:

	Year Ended December 31,	
	2023	**2022**
Wages and benefits	$ 21,120	$ 22,045
General and administrative	17,692	20,713
Sales and marketing	1,163	2,450
Share-based compensation (benefit) expense	(1,665)	3,327
Depreciation and amortization	16,618	18,352
Impairment loss and loss on disposal of assets	12,600	62,143
Total operating expenses	**$ 67,528**	**$ 129,030**

Total operating expenses for the year ended December 31, 2023 was $67,528, a decrease of $61,502 or 48% year-over-year from $129,030. The decrease was primarily in impairment loss related to annual impairment testing of goodwill. In addition, there was a share-based compensation benefit for the year ended December 31, 2023 that was predominantly related to the forfeiture of equity awards by the Company's former CEO and the reversal of share-based compensation related to a CGSF consulting project as the Company determined that certain performance milestones were no longer probable. See Note 14 – Shareholders' Equity for further details. Further operating expenses decreased in general and administrative expense chiefly driven by a decrease in professional fees related to litigation and overall cost control efforts in the corporate office, a decrease in depreciation and amortization due to fewer amortizable intangible assets, a decrease in sales and marketing expense mainly in connection with changes in management during the period which resulted in a shift in strategy aimed at more efficiently focusing the Company's resources, and a decrease in wages and benefits predominantly driven by the decrease in headcount from 437 to 358 during the period.

Impairment Losses

Impairment losses for the year ended December 31, 2023 were $12,600, a decrease of $49,543 year-over-year from $62,143. The decrease is primarily due to goodwill impairment. The goodwill and intangible assets impairments were mainly related to annual impairment testing for Standard Farms PA, wherein the carrying amount of the reporting unit exceeded its fair value resulting in an impairment charge of the remaining goodwill balance for the reporting unit of $3,030. The Company also recorded an impairment loss of $4,179 related to its license rights for Standard Farms PA. The impairment charges were primarily driven by changes in cannabis market conditions and in the current capital market environment.

Additionally, during the period the Company refocused on its core assets, including within Massachusetts retail operations, reducing the operating capacity of certain of its dispensaries triggering an impairment analysis which resulted in an impairment of fixed assets, right-of-use assets and leasehold improvements of $3,994. See Note 5 — Property, Plant and Equipment and Assets Held for Sale and Note 13 — Leases for further details. Further, in connection with the refocus on core business assets, the Company divested its interest in SFNY, incurring a $737 impairment expense related to the write-down of a CGSF management contract. The Company also recorded a $325 impairment loss during the period driven by the finding that certain assets held for sale had a carrying value in excess of their fair market value. The remaining impairment expenses of $335 were related to various property, plant and equipment impairment charges.

All dollar amounts expressed in thousands, except per share amounts

Total Other Expense

The following is a summary of the Company's total other expense derived from the consolidated financial statements of the Company for the years ended December 31, 2023 and 2022:

	Year Ended December 31,	
	2023	2022
Interest income	$ -	$ 215
Other income	128	9
Change in fair value of warrant liability	-	2,394
Gain (loss) on sale of assets and membership interests	8,882	-
Unrealized loss on investment	(6,401)	(296)
Loan receivable losses	(5,602)	(1,677)
Interest expense	(20,999)	(14,241)
Loss on foreign currency exchange	(12)	-
Total other expense	**$ (24,004)**	**$ (13,596)**

Other expense for the year ended December 31, 2023 was $24,004, an increase of $10,408 from other expense of $13,596 for the year ended December 31, 2022, primarily due to an increase in interest expense related to the lease liability at the Company's Taunton Facility and by higher interest rates on the Company's debt. In addition, there was an increase in unrealized loss on investment mainly driven by the write-down of the Company's holdings of HERBL Inc. ("HERBL") class B common shares to zero following HERBL entering receivership in June 2023, an increase in loan receivable losses driven by the Company's current expected credit losses ("CECL") analysis of loans receivable mainly related to the divestiture of SFNY as described in Note 9 – Loans Receivable, and a decrease in non-cash income due to the change in fair value of warrant liability as there was no warrant liability for the period (refer to Note 3 — Fair Value Measurements for further details). Partially offsetting the foregoing, there was an increase in gain on sale of assets and membership interests predominantly driven by the sale-leaseback transaction with IIP pertaining to its White Haven, Pennsylvania facility in the Pennsylvania Transaction described in Note 5 – Property, Plant & Equipment and Assets Held for Sale.

Income Tax Benefit (Expense)

As the Company operates in the cannabis industry, it is subject to the limits of Section 280E of the Internal Revenue Code (the "IRC") under which the Company is only allowed to deduct expenses directly related to the cost of production. As such, the effective tax rate can be highly variable and may not correlate to pre-tax income or loss.

Income tax benefit for the year ended December 31, 2023 was $3,339, an increase of $6,345 from income tax expense of $3,006 for the year ended December 31, 2022. See Note 16 — Income Taxes for further details.

Net Loss Attributable to TILT

The Company recorded a net loss of $62,384 for the year ended December 31, 2023 compared to net loss of $107,455 for the prior year, for a decrease in net loss of $45,071 primarily driven by the $61,502 decrease in operating expense which was predominantly due to the $49,543 decrease in non-cash impairment loss, and the $6,345 increase in income tax benefit, partially offset by the $13,792 decrease in gross profit, and $10,408 increase in other expense.

All dollar amounts expressed in thousands, except per share amounts

Liquidity and Capital Resources

The Company closely monitors and manages its capital resources to assess the liquidity required to fund fixed asset capital expenditures and operations.

Sources and Uses of Cash

The Company's balance of cash and cash equivalents was $2,034 as of December 31, 2023. We require cash to: (i) fund our operating expenses, working capital requirements, and outlays for strategic acquisitions and investments, (ii) service our debt, including principal and interest as further described in Liquidity Risk below; (iii) conduct research and development; and (iv) incur capital expenditures.

The Company is an early-stage growth company, generating cash primarily from revenue derived from the sale of its products, third-party debt, and proceeds from the sale and leaseback of certain of the Company's properties.

Key factors that could affect the Company's internal and external sources of cash include:

- Changes in demand for the Company's products, including as a result of competitive pricing pressures, supply chain constraints, effective management of our manufacturing capacity, and our ability to achieve further reductions in operating expenses.
- Limitations on our access to bank financing and the debt and equity capital markets that could impair our ability to obtain needed financing on acceptable terms or to respond to business opportunities and developments as they arise, including interest rate fluctuations, macroeconomic conditions, sudden reductions in the general availability of lending from banks or the related increase in cost to obtain bank financing and our ability to maintain compliance with covenants under our debt agreements in effect, from time to time.

The following are some of the significant sources and uses of cash during 2023 outside of the Company's operating activities and regular capital expenditures:

- On February 15, 2023, the Company completed the Pennsylvania Transaction, receiving gross proceeds of $15,000.
- On March 13, 2023, the Company, through its subsidiary Jupiter, entered into an amendment to its existing $10,000 Revolving Facility to increase the amount available under the Revolving Facility to $12,500 and extend the maturity date to July 21, 2024. Total proceeds from and repayments on the Revolving Facility for the year ended December 31, 2023 were $119,568 and $125,991, respectively.
- On May 15, 2023, the Company issued senior secured promissory notes in the aggregate principal amount of $4,500 (the "2023 Bridge Notes") with certain Note Holders. The 2023 Bridge Notes provided gross cash proceeds of $4,000 with an original issue discount of $500.
- Repayments on notes payable of $15,116, of which $4,500 was related to retirement of the 2023 Bridge Notes and $10,325 was related to repayment of the 2019 Senior Notes and a portion of the 2019 Junior Notes.

Liquidity and Going Concern

The Company has experienced operating losses since its inception and may continue to incur losses in the development of its business. The Company incurred a comprehensive loss of $62,399 during the year ended December 31, 2023 and has an accumulated deficit of $1,026,087 as of December 31, 2023. Additionally, as of December 31, 2023, the Company had negative working capital of $19,798, compared to negative working capital of $39,570 as of December 31, 2022. The increase in working capital year-over-year was primarily driven by the refinancing of the 2019 Junior Notes. The negative working capital as of December 31, 2023 was mainly related to certain notes payable becoming due within the next 12 months including the Company's Revolving Facility, the Employee Retention Credit Note and obligations under the 2023 Notes. See Note 11 — Notes Payable for additional details.

During the year ended December 31, 2023, the Company (i) completed the Pennsylvania Transaction, (ii) refinanced the 2019 Junior Notes, (iii) extended the maturity date of and increased the amount available under the Revolving Facility, (iv) obtained additional funds through the 2023 Bridge Notes and paid off such 2023 Bridge Notes before the maturity date, and (v) divested its interests in SFNY. For further details regarding these transactions, see Note 5 — Property, Plant and Equipment and Assets Held for Sale, Note 11 — Notes Payable, and Note 13 — Leases.

The Company's operating plans for the next 12 months include (i) increasing revenue growth from the sale of existing products and the introduction of new products across all operating segments; (ii) reducing production and operational costs as a result of efficiencies in cannabis operations; (iii) reducing supply chain costs; (iv) reducing and delaying overhead and other certain expenditures; and (v) obtaining other financings as necessary. The Company believes that successfully implementing these operating plans will help to mitigate any substantial doubt raised by our historical operating results and satisfy our estimated liquidity needs for the 12 months following the issuance of these consolidated financial statements. However, during the second quarter of 2023, a primary supplier significantly changed the payment terms of the Company's trade payable. This was an unexpected event impacting short-term liquidity, therefore, the Company secured additional financing through the 2023 Bridge Notes to satisfy the transition of the new payment terms and provide working capital for the business. The issuance of the 2023 Bridge Notes required the Company to have to obtain a waiver of the financial covenant defaults expected to occur for the 2023 Refinanced Notes and 2023 New Notes. As a result of the waiver, the Company had to pay default interest rates on its 2023 Refinanced Notes and 2023 New Notes, which resulted in an increase from 16.5% as of March 31, 2023 to 25.0% as of June 30, 2023. On October 2, 2023, the Company and the Subsidiary Borrowers entered into the October Forbearance Agreement. The October Forbearance Agreement reduced the interest rate on the 2023 Refinanced Notes to 17.0% as of September 30, 2023. Despite the Company's ability to secure a lower interest rate on the 2023 Refinanced Notes, the 17.0% interest rate is considered high and the 2023 New Notes remain at the default interest rate of 25.0%. The interest payments required under these rates will constrain the Company's liquidity while these rates remain in effect. While, as of the date of this filing, the Company is not in compliance with certain payment obligations and covenants under the 2023 Refinanced Notes and the 2023 New Notes, the Holders have not provided the requisite notice of an event of default under these notes. We are currently negotiating a waiver and forbearance agreement with the Holders to address such non-compliance. The Company can provide no assurance that the parties will reach a mutually agreeable resolution. See Note 11 — Notes Payable for additional information.

As a result of this and other factors, the Company cannot predict with certainty the outcome of its actions to generate liquidity as discussed above, including the availability of additional financing as necessary, or whether such actions would generate the expected liquidity as currently planned. Therefore, management has concluded, and the report of our auditors in this Annual Report on Form 10-K reflect, that there is substantial doubt about the Company's ability to continue as a going concern within 12 months after the date of this filing. These financial statements do not include any adjustments that might become necessary should the Company be unable to continue as a going concern. See Part I, Item 1A. *Risk Factors* for further details.

Cash Flows

The following table presents the Company's net cash inflows and outflows from the consolidated financial statements:

	Year Ended December 31,	
	2023	**2022**
Net cash provided by operating activities	$ 5,367	$ 8,612
Net cash provided by (used in) investing activities	13,170	(16,837)
Net cash (used in) provided by financing activities	(18,691)	4,783
Effect of foreign exchange on cash and cash equivalents	(14)	(10)
Net changes in cash and cash equivalents	**$ (168)**	**$ (3,452)**

All dollar amounts expressed in thousands, except per share amounts

For the year ended December 31, 2023, cash was provided by (used in):

- Operating activities: $5,367. The cash provided by operating activities for the year ended December 31, 2023 decreased $3,245 as compared to the year ended December 31, 2022. The decrease was primarily driven by the increase in cash paid for interest due to higher interest rates on the Company's debt.
- Investing activities: $13,170. The cash provided by investing activities for the year ended December 31, 2023 increased $30,007 as compared to the year ended December 31, 2022. The increase was mainly driven by the proceeds from the Pennsylvania Transactions described in Note 5 — Property, Plant and Equipment and Assets Held for Sale. The cash used in investing activities for the year ended December 31, 2022 was mainly related to the Taunton Facility Transactions as described in Note 12 — Massachusetts Lease Liability.
- Financing activities: ($18,691). The cash used in financing activities for the year ended December 31, 2023 increased $23,474 as compared to the year ended December 31, 2022. The increase was mainly driven by a decrease in the proceeds from borrowing, mainly related to the Taunton Facility Transactions during 2022 described in Note 12 — Massachusetts Lease Liability.

Financial Instruments and Risk Management

The Company examines the various financial instruments and risks to which it is exposed and assesses the impact and likelihood of those risks. These risks include market risk, interest rate risk, liquidity risk, currency risk and credit risk. Where significant, these risks are reviewed and monitored by the Board.

The Board has overall responsibility for the determination of the Company's risk management objectives and policies. The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Company's competitiveness and flexibility.

Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages liquidity risk through the management of its capital structure. The Company's approach to managing liquidity is to ensure that it will have sufficient liquidity to settle obligations and liabilities when due – refer to Liquidity and Capital Resources section for risk mitigation plan.

The following are the remaining contractual maturities of financial liabilities for the year ended December 31, 2023:

	Carrying amount	Total	< 6 months	6-12 months	1-5 years
Accounts payable and accrued liabilities	$ 49,098	$ 49,098	$ 48,972	$ 126	$ -
Notes payable	52,160	65,510	2,249	14,944	48,317
Total	**$ 101,258**	**$ 114,608**	**$ 51,221**	**$ 15,070**	**$ 48,317**

Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. Interest rates are highly sensitive to many factors, including fiscal and monetary policies and domestic and international economic and political considerations, as well as other factors beyond the Company's control. As of December 31, 2023, the Company was subject to interest rate risk in connection with the Revolving Facility, the 2023 Refinanced Notes, and the 2023 New Notes, all of which bear interest at variable rates.

All dollar amounts expressed in thousands, except per share amounts

Currency Risk

The operating results and financial position of the Company are reported in U.S. dollars. Some of the Company's financial transactions are denominated in currencies other than the U.S. dollar. The results of the Company's operations are subject to currency transaction and translation risks. The Company's exposure to currency risk is minimal.

For the years ended December 31, 2023 and 2022, the Company had no hedging agreements in place with respect to foreign exchange rates. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Credit Risk

Credit risk is the risk of financial loss to the Company if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's trade receivables, advances for acquisition targets and loans receivable. The carrying amounts for these financial assets represent their maximum credit exposure to the Company.

- *Trade Receivables*

  The Company provides credit to its customers in the normal course of business and has established credit evaluation and monitoring processes to mitigate credit risk. Accounts receivable related to online sales are held in reputable merchant accounts and are typically received within a short period of time between 45-60 days. Additionally, the Company assesses the risk that accounts may not be collectible and has an allowance for doubtful accounts that reflects our assessment of CECL as of the reporting date. As of December 31, 2023 and December 31, 2022, the Company was not materially exposed to any significant credit risk related to counterparty performance of outstanding trade receivables.

- *Loans Receivable*

  The Company manages its exposure to credit risk arising from loans receivable by obtaining collateral in the form of guarantees and security interest in the underlying assets of the counterparty, including intangible assets such as cannabis licenses, which would allow the Company to foreclose on the loans or force a sale of the assets in the event of default by the counterparty.

  At each reporting date, the Company assesses whether loans receivables are credit impaired by applying the guidance in ASC 326. A financial asset is 'credit impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit impairment is based on observable data such as significant financial difficulty of the debtor and a breach of contract such as a default or amounts being past due.

  CECL reserves are measured by the Company on a probability-weighted basis based on historical experience with losses and forward-looking information, which includes considerations of ongoing legal and regulatory developments in the industry. Loss given default parameters utilized by the Company in estimating CECL reserves generally reflect the assumed recovery rate from underlying collateral, with adjustments for time value of money and estimated costs for obtaining and selling the collateral. Given the repayment profile and underlying terms of such loans, CECL reserves are generally estimated over the contractual term of the loan.

Critical Accounting Estimates

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods. Significant judgments and estimates that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

Estimated Useful Lives and Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Measurement of Share-Based Payments

The Company uses the Black-Scholes option-pricing model to determine the fair value of equity-settled share-based payments. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of units, volatility of the Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

Impairment of Non-Financial Assets

The assessment of any impairment of non-financial assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions, the useful lives of assets, definition of the cost generating unit and estimates used to measure impairment losses. The recoverable value of these assets is determined using present value techniques, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

Goodwill and Indefinite Life Intangible Asset Impairment

Goodwill and intangible assets with an indefinite useful life are tested for impairment annually during the fourth quarter and whenever there are indicators that the carrying amount of goodwill or intangible assets with an indefinite useful life have been impaired. In order to determine if the value of these assets have been impaired, the Company calculates the recoverable amount of the cash-generating unit to which asset has been allocated using present value techniques. When applying this valuation technique, the Company relies on a number of factors, including historical results, business plans, forecasts and market data. Changes in these judgments and estimates can significantly affect the assessed recoverable amount of goodwill and indefinite life intangible assets.

Deferred Tax Assets

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. Assumptions about the generation of future taxable profits depend on management's estimates of future cash flows.

In addition, future changes in tax laws could limit the ability of the Company to obtain tax deductions in future periods. To the extent that future cash flows and taxable income differ significantly from estimates, the ability of the Company to realize the deferred tax assets recorded at the reporting date could be impacted.

New Accounting Pronouncements

See Note 2 — Basis of Presentation and Summary of Significant Accounting Policies included in Item 8 of this Annual Report on Form 10-K for a description of new accounting pronouncements applicable to the Company.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934 ("Exchange Act") and, as such, is not required to provide the information under this Item.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The financial statements and supplementary data filed as part of this report are set forth beginning on page F-1 in this Annual Report on Form 10-K.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

There were no changes in or disagreements with our independent registered public accountants during the year ended December 31, 2023.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's CEO and Interim CFO, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as the Company's controls and procedures are designed to do, and management necessarily was required to apply its judgment in evaluating the risk related to controls and procedures.

In connection with the preparation of this Annual Report on Form 10-K, as of December 31, 2023, an evaluation was performed under the supervision and with the participation of the Company's management, including the CEO and interim CFO, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, management concluded that the Company's disclosure controls and procedures were effective at a reasonable assurance level as of December 31, 2023.

Management's Report on Internal Control Over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of the Company's management, including its CEO and Interim CFO, the Company conducted an evaluation of the effectiveness of its internal control over financial reporting based on the framework Committee of Sponsoring Organizations of the Treadway Commission (2013). Based on the Company's evaluation under the framework in 2023, the Company's management concluded that its internal control over financial reporting was effective as of December 31, 2023.

Independent Registered Accounting Firm's Report on Internal Control Over Financial Reporting

As a non-accelerated filer and an emerging growth company, as defined under the terms of the Jumpstart Our Business Startups Act of 2012, as amended, our independent registered accounting firm is not required to issue a report on the effectiveness of the Company's internal control over financial reporting.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the quarter ended December 31, 2023 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

During the three months ended December 31, 2023, no director or officer of the Company adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as each term is defined in Item 408(a) of Regulation S-K.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required by this Item will be presented in our definitive proxy statement for our 2024 annual meeting of shareholders, which is expected to be filed with the SEC within 120 days after December 31, 2023 and is incorporated herein by reference.

Code of Business Conduct and Ethics

We have adopted a code of ethics entitled "TILT Holdings Inc. Code of Business Conduct and Ethics" that applies to directors, officers, employees, consultants and contractors (the "Code of Ethics"). The Code of Ethics may be accessed through the "Governance" section of our website at www.tiltholdings.com. We have also elected to disclose the information required by Form 8-K, Item 5.05, "Amendments to the Registrant's Code of Ethics, or Waiver of a Provision of the Code of Ethics" through our website, and such information will remain available on this website for at least a 12-month period. A copy of the Code of Ethics is available in print to any shareholder who requests it.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this Item will be presented in our definitive proxy statement for our 2024 annual meeting of shareholders, which is expected to be filed with the SEC within 120 days after December 31, 2023 and is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table provides information regarding compensation plans, previously approved by shareholders, under which securities of the Company are authorized for issuance as of December 31, 2023:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans[(1)]
Equity compensation plans approved by security holders	19,482,231	$ 0.62	31,051,783
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	**19,482,231**	**$ 0.62**	**31,051,783**

(1) The maximum number of common shares issuable upon the vesting or exercise of awards granted under the Amended and Restated 2018 Stock and Incentive Plan (the "Plan") is 60,000,000.

Other information required by this Item will be presented in our definitive proxy statement for our 2024 annual meeting of shareholders, which is expected to be filed with the SEC within 120 days after December 31, 2023 and is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this Item will be presented in our definitive proxy statement for our 2024 annual meeting of shareholders, which is expected to be filed with the SEC within 120 days after December 31, 2023 and is incorporated herein by reference.

All dollar amounts expressed in thousands, except per share amounts

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this Item will be presented in our definitive proxy statement for our 2024 annual meeting of shareholders, which is expected to be filed with the SEC within 120 days after December 31, 2023 and is incorporated herein by reference.

PART IV

ITEM 15. EXHIBIT AND FINANCIAL STATEMENT SCHEDULES

Financial Statements

The list of the consolidated financial statements contained herein is set forth on page F-1 hereof.

Exhibits

The following exhibits are included, or incorporated by reference, in this Annual Report on Form 10-K for the year ended December 31, 2023 (and are numbered in accordance with Item 601 of Regulation S-K).

EXHIBIT INDEX

Exhibit No.	Description of Exhibit
2.1†	Business Combination Agreement dated July 9, 2018 between Baker Technologies, Inc., Briteside Holdings, LLC, Sea Hunter Therapeutics, LLC, Santé Veritas Holdings Inc. and 1167411 B.C. Ltd. (incorporated by reference to Exhibit 2.1 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
2.2†	Amended and Restated Agreement and Plan of Merger by and among Jimmy Jang, L.P., Hammbutnocheese Merger Sub, Inc., Jupiter Research, LLC, Sellers and Mark Scatterday, as Sellers' Representative dated as of January 10, 2019 (incorporated by reference to Exhibit 2.2 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
2.3†	Agreement of Purchase and Sale, dated February 8, 2022, between Daniel G. DaRosa, as Trustee of 30 MOZZONE BOULEVARD 2013 REALTY TRUST, u/d/t/ dated July 26, 2017, and Commonwealth Alternative Care, Inc., as last amended by Second Amendment to Agreement of Purchase and Sale dated May 13, 2022 (incorporated by reference to Exhibit 2.3 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
2.4†	Purchase and Sale Agreement And Joint Escrow Instructions dated effective April 8, 2022, by and between Commonwealth Alternative Care, Inc. and IIP-MA 2 LLC (incorporated by reference to Exhibit 2.4 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
2.5†	Purchase And Sale Agreement And Joint Escrow Instructions, dated effective April 19, 2022, by and between White Haven Re, LLC and IIP-PA 9 LLC, as amended by First Amendment To Purchase And Sale Agreement And Joint Escrow Instructions dated May 24, 2022 (incorporated by reference to Exhibit 2.5 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
3.1	Notice of Articles of TILT Holdings Inc. (incorporated by reference to Exhibit 3.1 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
3.2	Articles of TILT Holdings Inc.(incorporated by reference to Exhibit 3.2. to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
4.1†	Exchange Agreement dated January 7, 2019 between Jimmy Jang, L.P., TILT Holdings Inc. and the holder of units from time to time party thereto (incorporated by reference to Exhibit 4.1 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
4.2	Warrant Certificate dated November 22, 2019 by and between TILT Holdings, Inc. and Jane Batzofin (incorporated by reference to Exhibit 4.2 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
4.3	Warrant Certificate dated November 1, 2019 by and between TILT Holdings, Inc. and Mark Scatterday (incorporated by reference to Exhibit 4.3 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
4.4†	Form of Warrant Certificate issued on February 15, 2023 (incorporated by reference to Exhibit 4.1 to the Company's Form 8-K filed on February 16, 2023).
4.5†	Form of Common Share Purchase Warrant issued on November 22, 2019 (incorporated by reference to Exhibit 4.5 to the Company's Annual Report on Form 10-K filed with the SEC on March 16, 2023).

Exhibit No.	Description of Exhibit
4.6	Description of Securities (incorporated by reference to Exhibit 4.6 to the Company's Annual Report on Form 10-K filed with the SEC on March 16, 2023).
10.1†	Loan Agreement dated August 24, 2021 by and between CGSF Group LLC and SFNY Holdings, Inc. (incorporated by reference to Exhibit 10.1 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
10.2†	Agreement dated October 27, 2021 between Sante Veritas Therapeutics Inc., and 1120419 B.C. LTD. (incorporated by reference to Exhibit 10.2 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022) .
10.3*	Assignment Agreement dated February 22, 2021 between SH Finance Company, LLC and Teneo Fund SPVi LLC(incorporated by reference to Exhibit 10.3 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
10.4†	Securities Purchase Agreement dated November 18, 2020 between Baker Technologies, Inc., Slam Dunk LLC, and Timothy Conder (incorporated by reference to Exhibit 10.4 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
10.5†	Senior Secured Note Purchase Agreement dated as of November 1, 2019 between Jimmy Jang, L.P., Baker Technologies, Inc., Commonwealth Alternative Care, Inc., Jupiter Research, LLC, TILT Holdings Inc., NR 1, LLC and the purchasers named on the Schedule of Purchasers attached thereto (incorporated by reference to Exhibit 10.5 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
10.6†	Junior Secured Note Purchase Agreement dated November 1, 2019 between Jimmy Jang, L.P., Baker Technologies, Inc., Commonwealth Alternative Care, Inc., Jupiter Research, LLC, TILT Holdings Inc., [***] and the purchasers named on the Schedule of Purchasers attached thereto (incorporated by reference to Exhibit 10.6 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022) .
10.7†	Junior Guaranty dated November 1, 2019 between TILT Holdings Inc., Jimmy Jang Holdings Inc., Sante Veritas Holdings Inc., Sante Veritas Therapeutics Inc., Jupiter Research Europe LTD, Defender Marketing Services, LLC, White Haven RE LLC, Standard Farms LLC, Briteside Holdings LLC, Briteside Modular LLC, Briteside E-Commerce LLC, Briteside Oregon LLC, Yaris Acquisition LLC, Bootleg Courier Company, LLC, Blkbrd Software LLC, Blackbird Logistics Corporation, Blkbrd CA, Blkbrd NV LLC, Sea Hunter Therapeutics, LLC, SH Therapeutics, LLC, SH Realty Holdings, LLC, SH Realty Holdings-Ohio, LLC, SH Ohio, LLC, SH Finance Company, LLC, Cultivo, LLC, Alternative Care Resource Group LLC, Verdant Holdings, LLC, Verdant Management Group, LLC, Herbology Holdings, LLC, Herbology Management Group, LLC, in favor of [***] (incorporated by reference to Exhibit 10 7.to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022) .
10.8†	Junior Pledge Agreement dated as of November 1, 2019 by and among TILT Holdings Inc., Jimmy Jang Holdings Inc., Baker Technologies, Inc., Jimmy Jang, L.P., Blackbird Logistics Corporation, Briteside Holdings LLC, Yaris Acquisition LLC, Baker Technologies, Inc., Jupiter Research, LLC, Blackbird Logistics Corporation, Blkbrd Software LLC, Briteside Ecommerce LLC, Briteside Holdings LLC, Briteside Modular LLC, Defender Marketing Services LLC, Standard Farms LLC, White Haven RE LLC, Yaris Acquisition LLC and [***](incorporated by reference to Exhibit 10.8 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
10.9†	Junior Security Agreement dated as of November 1, 2019 by and among Baker Technologies, Inc., Commonwealth Alternative Care, Inc., Jimmy Jang, L.P., Jupiter Research, LLC, Blackbird Logistics Corporation, Blkbrd CA, Blkbrd NV LLC, Blkbrd Software LLC, Briteside Ecommerce LLC, Briteside Holdings LLC, Briteside Modular LLC, Briteside Oregon LLC, Defender Marketing Services, LLC, Standard Farms LLC, TILT Holdings Inc., White Haven RE LLC, Yaris Acquisition LLC and in favor of [***] (incorporated by reference to Exhibit 10.9 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022) .
10.10†	Junior Canadian Security Agreement dated November 1, 2019 by TILT Holdings Inc. in favor of [***](incorporated by reference to Exhibit 10.10 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).

Exhibit No.	Description of Exhibit
10.11†	Guaranty dated as of November 1, 2019 by and among TILT Holdings Inc., Jimmy Jang Holdings Inc., Sante Veritas Holdings Inc., Sante Veritas Therapeutics Inc., Jupiter Research Europe LTD, White Haven RE LLC, Standard Farms LLC, Briteside Holdings LLC, Briteside Modular LLC, Briteside E-Commerce LLC, Briteside Oregon LLC, Yaris Acquisition LLC, Bootleg Courier Company, LLC in favor of NR 1, LLC (incorporated by reference to Exhibit 10.11 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
10.12†	Pledge Agreement dated as of November 1, 2019 by and among TILT Holdings Inc., Jimmy Jang Holdings Inc., Baker Technologies Inc., Jimmy Jang, L.P., Blackbird Logistics Corporation, Briteside Holdings LLC, Yaris Acquisition LLC, Baker Technologies, Inc., Jupiter Research, LLC, Blackbird Logistics Corporation, Blkbrd Software LLC, Briteside Ecommerce LLC, Briteside Holdings LLC, Briteside Modular LLC, Defender Marketing Services, Standard Farms LLC, White Haven RE LLC, Yaris Acquisition LLC and NR 1 LLC (incorporated by reference to Exhibit 10.12 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022) .
10.13†	Security Agreement dated as of November 1, 2019, by and among Baker Technologies, Inc., Commonwealth Alternative Care Inc., Jimmy Jang, L.P., Jupiter Research, LLC, Blackbird Logistics Corporation, Blkbrd CA, Blkbrd NV LLC, Blkbrd Software LLC, Briteside Ecommerce LLC, Briteside Holdings LLC, Briteside Modular LLC, Briteside Oregon LLC, Defender Marketing Services LLC, Standard Farms LLC, TILT Holdings Inc., White Haven RE LLC, Yaris Acquisition LLC and in favor of NR 1, LLC (incorporated by reference to Exhibit 10.13 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
10.14†	Canadian Security Agreement dated November 1, 2019 of TILT Holdings Inc. in favor of NR 1, LLC (incorporated by reference to Exhibit 10.14 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022) .
10.15+	TILT Executive Employment Agreement dated May 13, 2021 and effective June 1, 2021 between TILT Holdings Inc. and Gary F. Santo, Jr (incorporated by reference to Exhibit 10.15 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
10.16+	Employment Agreement, dated June 23, 2021 and effective July 12, 2021 between TILT Holdings Inc. and Dana R. Arvidson (incorporated by reference to Exhibit 10.17 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
10.17+	TILT Holdings Inc. Amended and Restated 2018 Stock and Incentive Plan (as last amended on April 25, 2023) (incorporated by reference to Exhibit 10.2 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 15, 2023).
10.18+	Form of TILT Holdings Inc. Amended and Restated 2018 Stock and Incentive Plan Amended and Restated Stock Option Agreement (as last amended on April 25, 2023) (incorporated by reference to Exhibit 10.3 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 15, 2023).
10.19+	Form of TILT Holdings Inc. Amended and Restated 2018 Stock and Incentive Plan Restricted Stock Unit Agreement (as last amended on April 25, 2023) (incorporated by reference to Exhibit 10.4 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 15, 2023).
10.20+	Form of TILT Holdings Inc. Amended and Restated 2018 Stock and Incentive Plan Performance Stock Unit Award Agreement (as last amended on April 25, 2023) (incorporated by reference to Exhibit 10.5 to the Company's Quarterly Report on Form 10-Q filed with the SEC on May 15, 2023).
10.21	Second Amendment to Purchase and Sale Agreement and Joint Escrow Instructions dated June 17, 2022 by and between White Haven RE, LLC and IIP-PA 9 LLC (incorporated by reference to Exhibit 10.28 to Amendment No. 2 to the Company's Form 10 filed with the SEC on June 29, 2022).
10.22	Third Amendment to Purchase and Sale Agreement and Joint Escrow Instructions, effective as of the 30th day of September 2022, by and between White Haven RE, LLC and IIP-PA 9 LLC (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed with the SEC on November 14, 2022).
10.23	Fourth Amendment to Purchase and Sale Agreement and Joint Escrow Instructions, effective as of the 24th day of October 2022, by and between White Haven RE, LLC and IIP-PA 9 LLC (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q filed with the SEC on November 14, 2022).
10.24	Form of Amendment No. 1 to the Senior Secured Promissory Note (incorporated by reference to Exhibit 10.14 to the Company's Form 10-Q filed with the SEC on November 14, 2022).

Exhibit No.	Description of Exhibit
10.25	Amendment No. 2 to Promissory Note, dated as of October 24, 2022 (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q filed with the SEC on November 14, 2022).
10.26	Amendment No. 3 to Promissory Note, dated as of November 14, 2022 (incorporated by reference to Exhibit 10.6 to the Company's Form 10-Q filed with the SEC on November 14, 2022).
10.27+	Amendment to Executive Employment Agreement dated December 1, 2022 by and between TILT Holdings Inc. and Dana Arvidson (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on December 1, 2022).
10.28+	TILT Executive Employment Agreement dated November 29, 2022 by and between TILT Holdings Inc. and Brad Hoch (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on December 1, 2022).
10.29+	TILT Executive Employment Agreement dated December 1, 2022 by and between TILT Holdings Inc. and Christopher Kelly (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed on December 1, 2022).
10.30+†	Separation Agreement dated April 21, 2023 by and between TILT Holdings Inc. and Gary F. Santo, Jr. (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on April 25, 2023).
10.31+#	Employment Agreement dated September 26, 2023, by and between TILT Holdings Inc. and Tim Conder (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on October 2, 2023).
10.32+	Executive Employment Agreement, dated September 24, 2021, by and between TILT Holdings Inc. and Mark Higgins (filed herewith).
10.33+	Amendment to Executive Employment Agreement, dated December 1, 2022, by and between TILT Holdings Inc. and Mark Higgins (filed herewith).
10.34	Fifth Amendment to Purchase And Sale Agreement And Joint Escrow Instructions, effective as of the 30th day of December 2022, by and between White Haven RE, LLC and IIP-PA 9 LLC (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on January 3, 2023).
10.35	Form of Amendment No. 4 to Senior Secured Promissory Note (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on January 3, 2023).
10.36†#	First Amendment to Secured Note Purchase Agreement dated February 15, 2023 by and among TILT Holdings Inc., Jimmy Jang, L.P., Baker Technologies, Inc., Commonwealth Alternative Care, Inc., Jupiter Research, LLC, Jordan Geotas, as noteholder representative, and each of the purchasers and AP noteholders (includes the Conformed Secured Note Purchase Agreement, dated as of November 1, 2019, as amended) (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K filed on February 16, 2023).
10.37†#	Unmarked Form of Secured Note Purchase Agreement, dated as of November 1, 2019, as amended by that First Amendment to Secured Note Purchase Agreement dated February 15, 2023 (incoporated by reference to Exhibit 10.41 to the Company's Annual Report on Form 10-K filed on March 16, 2023).
10.38†	Amended and Restated Pledge Agreement February 15, 2023 by and among TILT Holdings Inc., Jimmy Jang Holdings Inc., Jimmy Jang L.P., Jupiter Research, LLC, Baker Technologies, Inc., Sea Hunter Therapeutics, LLC, Commonwealth Alternative Care, Inc., SH Finance Company, LLC, JJ Blocker Co., SFNY Holdings, Inc., Standard Farms New York, LLC, CGSF Group, LLC, Standard Farms Ohio, LLC, Standard Farms LLC, and the other subsidiaries a party thereto, and Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K filed on February 16, 2023).
10.39†	Amended and Restated Security Agreement dated February 15, 2023 by and among TILT Holdings Inc., Jimmy Jang Holdings Inc., Jimmy Jang L.P., Jupiter Research, LLC, Baker Technologies, Inc., Sea Hunter Therapeutics, LLC, Commonwealth Alternative Care, Inc., SH Finance Company, LLC, JJ Blocker Co., SFNY Holdings, Inc., Standard Farms New York, LLC, CGSF Group, LLC, Standard Farms Ohio, LLC, Standard Farms LLC and in favor of Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.3 to the Company's Form 8-K filed on February 16, 2023).

Exhibit No.	Description of Exhibit
10.40†	Amended and Restated Guaranty dated February 15, 2023, by and among TILT Holdings Inc., Jimmy Jang Holdings Inc., Jimmy Jang L.P., Jupiter Research, LLC, Baker Technologies, Inc., Sea Hunter Therapeutics, LLC, Commonwealth Alternative Care, Inc., SH Finance Company, LLC, JJ Blocker Co., SFNY Holdings, Inc., Standard Farms New York, LLC, CGSF Group, LLC, Standard Farms Ohio, LLC, Standard Farms LLC and in favor of Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.4 to the Company's Form 8-K filed on February 16, 2023).
10.41†	Amended and Restated Canadian Security Agreement dated February 15, 2023, by TILT Holdings Inc., and in favor of Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.5 to the Company's Form 8-K filed on February 16, 2023).
10.42#	Trademark Security Agreement dated February 15, 2023, by and among TILT Holdings Inc., Jupiter Research, LLC and Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.6 to the Company's Form 8-K filed on February 16, 2023).
10.43#	Canadian Trademark Security Agreement dated February 15, 2023, by and between Jupiter Research, LLC and Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.7 to the Company's Form 8-K filed on February 16, 2023).
10.44#	Patent Security Agreement dated February 15, 2023, by and between Jupiter Research, LLC and Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.8 to the Company's Form 8-K filed on February 16, 2023).
10.45#	Canadian Patent Security Agreement dated February 15, 2023, by and between Jupiter Research, LLC and Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.9 to the Company's Form 8-K filed on February 16, 2023).
10.46†	Form of Amended and Restated Promissory Note (incorporated by reference to Exhibit 10.10 to the Company's Form 8-K filed on February 16, 2023).
10.47†	Form of Promissory Note (AP Note) (incorporated by reference to Exhibit 10.11 to the Company's Form 8-K filed on February 16, 2023).
10.48*#	Secured Note Purchase Agreement dated May 15, 2023 by and among TILT Holdings Inc., Jimmy Jang, L.P., Baker Technologies, Inc., Commonwealth Alternative Care, Inc., Jupiter Research, LLC, and Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on May 19, 2023).
10.49*	Pledge Agreement dated May 15, 2023 by and among TILT Holdings Inc., Jimmy Jang Holdings Inc., Jimmy Jang L.P., Jupiter Research, LLC, Baker Technologies, Inc., Sea Hunter Therapeutics, LLC, Commonwealth Alternative Care, Inc., SH Finance Company, LLC, JJ Blocker Co., SFNY Holdings, Inc., Standard Farms New York, LLC, CGSF Group, LLC, Standard Farms Ohio, LLC, Standard Farms LLC, and the other subsidiaries a party thereto, and Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on May 19, 2023).
10.50*	Security Agreement dated May 15, 2023 by and among TILT Holdings Inc., Jimmy Jang Holdings Inc., Jimmy Jang L.P., Jupiter Research, LLC, Baker Technologies, Inc., Sea Hunter Therapeutics, LLC, Commonwealth Alternative Care, Inc., SH Finance Company, LLC, JJ Blocker Co., SFNY Holdings, Inc., Standard Farms New York, LLC, CGSF Group, LLC, Standard Farms Ohio, LLC, Standard Farms LLC and in favor of Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on May 19, 2023).
10.51*	Guaranty dated May 15, 2023, by and among TILT Holdings Inc., Jimmy Jang Holdings Inc., Jimmy Jang L.P., Jupiter Research, LLC, Baker Technologies, Inc., Sea Hunter Therapeutics, LLC, Commonwealth Alternative Care, Inc., SH Finance Company, LLC, JJ Blocker Co., SFNY Holdings, Inc., Standard Farms New York, LLC, CGSF Group, LLC, Standard Farms Ohio, LLC, Standard Farms LLC and in favor of Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on May 19, 2023).
10.52*	Canadian Security Agreement dated May 15, 2023, by TILT Holdings Inc., and in favor of Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on May 19, 2023).

Exhibit No.	Description of Exhibit
10.53#	Trademark Security Agreement dated May 15, 2023, by and among TILT Holdings Inc., Jupiter Research, LLC and Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on May 19, 2023).
10.54#	Canadian Trademark Security Agreement dated May 15, 2023, by and between Jupiter Research, LLC and Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.7 to the Company's Current Report on Form 8-K filed with the SEC on May 19, 2023).
10.55#	Patent Security Agreement dated May 15, 2023, by and between Jupiter Research, LLC and Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.8 to the Company's Current Report on Form 8-K filed with the SEC on May 19, 2023).
10.56#	Canadian Patent Security Agreement dated May 15, 2023, by and between Jupiter Research, LLC and Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.9 to the Company's Current Report on Form 8-K filed with the SEC on May 19, 2023).
10.57	Consent, Confirmation, Limited Waiver and Forbearance Agreement dated May 15, 2023, by and among TILT Holdings Inc., Jimmy Jang, L.P., Baker Technologies, Inc., Commonwealth Alternative Care, Inc., Jupiter Research, LLC, and Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.10 to the Company's Current Report on Form 8-K filed with the SEC on May 19, 2023).
10.58	Subordination and Intercreditor Agreement dated May 15, 2023, by and among Entrepreneur Growth Capital LLC, TILT Holdings Inc., and Jupiter Research, LLC (incorporated by reference to Exhibit 10.11 to the Company's Current Report on Form 8-K filed with the SEC on May 19, 2023).
10.59*	Form of 2023 Bridge Notes (incorporated by reference to Exhibit 10.12 to the Company's Current Report on Form 8-K filed with the SEC on May 19, 2023).
10.60*#	Membership Interest Purchase Agreement dated September 1, 2023, by and among SFNY Holdings, Inc., Standard Farms New York, LLC and CGSF Investments LLC (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on September 7, 2023).
10.61	Loan Termination Agreement dated September 1, 2023, by and between CGSF Group LLC and SFNY Holdings, Inc. (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on September 7, 2023).
10.62	Limited Waiver and Continued Forbearance Agreement dated October 2, 2023 by and among Jimmy Jang, L.P., Baker Technologies, Inc., Commonwealth Alternative Care, Inc., Jupiter Research, LLC, TILT Holdings Inc., and Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on October 6, 2023).
10.63*	Debt and Security Agreement, dated January 28, 2024, by and between TILT Holdings Inc., Jimmy Jang, L.P., Baker Technologies, Inc., Commonwealth Alternative Care, Inc., Jimmy Jang Holdings, Inc, JJ Blocker Co., SFNY Holdings, Inc., Sea Hunter Therapeutics, LLC, Standard Farms Ohio LLC, Standard Farms LLC, SH Finance Company, LLC, Jupiter Research, LLC and Shenzen Smoore Technology Limited (incorporated by reference to Exhibit 10.1 to the Company's Current Report on Form 8-K filed with the SEC on January 31, 2024).
10.64*	Guaranty, dated January 28, 2024, by and between TILT Holdings Inc., Jimmy Jang, L.P., Baker Technologies, Inc., Commonwealth Alternative Care, Inc., Jimmy Jang Holdings, Inc, JJ Blocker Co., SFNY Holdings, Inc., Sea Hunter Therapeutics, LLC, Standard Farms Ohio LLC, Standard Farms LLC, SH Finance Company, LLC, Jupiter Research, LLC and Shenzen Smoore Technology Limited (incorporated by reference to Exhibit 10.2 to the Company's Current Report on Form 8-K filed with the SEC on January 31, 2024).
10.65	Side Letter, dated January 28, 2024, by and between TILT Holdings Inc., Jimmy Jang, L.P., Baker Technologies, Inc., Commonwealth Alternative Care, Inc., Jimmy Jang Holdings, Inc, JJ Blocker Co., SFNY Holdings, Inc., Sea Hunter Therapeutics, LLC, Standard Farms Ohio LLC, Standard Farms LLC, SH Finance Company, LLC, Jupiter Research, LLC and Shenzen Smoore Technology Limited (incorporated by reference to Exhibit 10.3 to the Company's Current Report on Form 8-K filed with the SEC on January 31, 2024).
10.66	Subordination and Intercreditor Agreement, dated January 28, 2024, by and between Entrepreneur Growth Capital LLC, Jordan Geotas, Shenzhen Smoore Technology Limited, and Jupiter Research, LLC (incorporated by reference to Exhibit 10.4 to the Company's Current Report on Form 8-K filed with the SEC on January 31, 2024).

Exhibit No.	Description of Exhibit
10.67*	Trademark Security Agreement, dated January 28, 2024, by and between TILT Holdings Inc., Jimmy Jang, L.P., Baker Technologies, Inc., Commonwealth Alternative Care, Inc., Jimmy Jang Holdings, Inc, JJ Blocker Co., SFNY Holdings, Inc., Sea Hunter Therapeutics, LLC, Standard Farms Ohio LLC, Standard Farms LLC, SH Finance Company, LLC, Jupiter Research, LLC and Shenzhen Smoore Technology Limited (incorporated by reference to Exhibit 10.5 to the Company's Current Report on Form 8-K filed with the SEC on January 31, 2024).
10.68*	Equity Pledge Agreement, dated January 28, 2024, by Jimmy Jang, L.P. in favor of Shenzhen Smoore Technology Limited (incorporated by reference to Exhibit 10.6 to the Company's Current Report on Form 8-K filed with the SEC on January 31, 2024).
21.1	List of Subsidiaries of TILT Holdings Inc. (filed herewith).
23.1	Consent of Macias Gini & O'Connell LLP (filed herewith).
24.1	Power of Attorney (included on signature pages)
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Calculation Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded with Inline XBRL document)

+ Indicates a management contract or compensatory plan, contract or arrangement in which directors or executive officers participate.

* In accordance with Item 601(b)(2) and/or Item 601(b)(10)(iv) of Regulation S-K, certain information (indicated by "[***]") has been excluded from this exhibit because it is both not material and private or confidential. A copy of the omitted portion will be furnished to the Securities and Exchange Commission upon request.

† In accordance with Item 601(a)(6) of Regulation S-K, certain information has been excluded from this exhibit.

Certain schedules and exhibits have been omitted from this filing pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished to the Securities and Exchange Commission upon request.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: March 22, 2024 **TILT HOLDINGS INC.**

By: /s/ Tim Conder
Tim Conder
Chief Executive Officer
(Principal Executive Officer)

Each person whose individual signature appears below hereby authorizes and appoints Tim Conder and Brad Hoch, and each of them, with full power of substitution and resubstitution and full power to act without the other, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file any and all amendments to this annual report on Form 10-K and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his or her substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

/s/ Tim Conder Tim Conder	Chief Executive Officer and Director (Principal Executive Officer)	March 22, 2024
/s/ Brad Hoch Brad Hoch	Interim Chief Financial Officer and Chief Accounting Officer (Principal Financial Officer and Principal Accounting Officer)	March 22, 2024
/s/ John Barravecchia John Barravecchia	Director	March 22, 2024
/s/ Adam R. Draizin Adam R. Draizin	Director	March 22, 2024
/s/ George Odden George Odden	Director	March 22, 2024
/s/ Arthur Smuck Arthur Smuck	Director	March 22, 2024

TILT HOLDINGS, INC.
INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Audited Financial Statements

Report of Independent Registered Public Accounting Firm (PCAOB ID No. 324)

To the Shareholders and Board of Directors of TILT Holdings, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of TILT Holdings, Inc. and its subsidiaries (the Company) as of December 31, 2023 and 2022, the related consolidated statements of operations and comprehensive loss, changes in shareholders' equity, and cash flows for the years then ended and the related notes to the consolidated financial statements (collectively, the financial statements). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter – Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company has suffered recurring losses from operations and its total liabilities exceed its total assets. Additionally, the Company is not in compliance with certain note payment obligations and covenants and the increased interest payments currently required under these notes will constrain the Company's liquidity. This raises substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters also are described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion./s/ Macias Gini & O'Connell LLP

/s/ Macias Gini & O'Connell LLP

We have served as the Company's auditor since 2021.

San Jose, California
March 22, 2024

TILT HOLDINGS INC.
Consolidated Balance Sheets
(Amounts Expressed in Thousands of United States Dollars, Except for Share Amounts)

	December 31, 2023	December 31, 2022
ASSETS		
Current assets		
Cash and cash equivalents	$ 2,034	$ 2,202
Restricted cash	1,298	1,298
Trade receivables, net	17,919	26,698
Inventories	32,908	52,909
Loans receivable, current portion	—	516
Prepaid expenses and other current assets	2,115	1,979
Assets held for sale	—	325
Total current assets	**56,274**	**85,927**
Non-current assets		
Property, plant and equipment, net	51,185	67,937
Right-of-use assets – finance, net	2,242	4,351
Right-of-use assets – operating, net	12,296	740
Investments	1	6,402
Intangible assets, net	84,801	102,714
Loans receivable, net of current portion	1,066	3,703
Deferred tax asset	3,657	—
Goodwill	17,721	20,751
Other assets	1,945	1,453
TOTAL ASSETS	**$ 231,188**	**$ 293,978**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	$ 49,098	$ 58,170
Income taxes payable	2,564	979
Deferred revenue	6,083	5,760
Finance lease liability, current portion	1,203	1,075
Operating lease liability, current portion	72	135
Notes payable, current portion	17,052	59,378
Total current liabilities	**76,072**	**125,497**
Non-current liabilities		
Finance lease liability, net of current portion	3,041	4,245
Operating lease liability, net of current portion	12,743	701
Notes payable, net of discount, net of current portion	35,108	350
Massachusetts lease liability	40,774	40,022
Deferred tax liability	—	1,373
Other liabilities	1,057	273
TOTAL LIABILITIES	**168,795**	**172,461**
Shareholders' equity		
Common shares, without par value, unlimited shares authorized, 384,833,546 and 377,515,391 issued and outstanding as of December 31, 2023 and December 31, 2022, respectively	856,422	858,143
Additional paid-in capital	225,250	225,127
Warrants	5,835	796
Accumulated other comprehensive income	973	988
Accumulated deficit	(1,026,087)	(963,703)
TOTAL SHAREHOLDERS' EQUITY	**62,393**	**121,351**
Non-controlling interest	—	166
TOTAL EQUITY	**62,393**	**121,517**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 231,188**	**$ 293,978**

The accompanying notes are an integral part of these consolidated financial statements.

TILT HOLDINGS INC.
Consolidated Statements of Operations and Comprehensive Loss
(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

	Year Ended December 31,	
	2023	**2022**
Revenues, net	$ 165,956	$ 174,188
Cost of goods sold	(141,580)	(136,020)
Gross profit	**24,376**	**38,168**
Operating expenses:		
Wages and benefits	21,120	22,045
General and administrative	17,692	20,713
Sales and marketing	1,163	2,450
Share-based compensation (benefit) expense	(1,665)	3,327
Depreciation and amortization	16,618	18,352
Impairment loss and loss on disposal of assets	12,600	62,143
Total operating expenses	**67,528**	**129,030**
Operating loss	**(43,152)**	**(90,862)**
Other (expense) income:		
Interest income	—	215
Other income	128	9
Change in fair value of warrant liability	—	2,394
Gain (loss) on sale of assets and membership interests	8,882	—
Unrealized loss on investment	(6,401)	(296)
Loan receivable losses	(5,602)	(1,677)
Interest expense	(20,999)	(14,241)
Loss on foreign currency exchange	(12)	—
Total other expense	**(24,004)**	**(13,596)**
Loss from operations before income tax and non-controlling interest	**(67,156)**	**(104,458)**
Income taxes		
Income tax benefit (expense)	3,339	(3,006)
Net loss before non-controlling interest	**(63,817)**	**(107,464)**
Less: Net income attributable to non-controlling interest	1,433	9
Net loss attributable to TILT Holdings Inc.	**$ (62,384)**	**$ (107,455)**
Other comprehensive loss		
Net loss before non-controlling interest	$ (63,817)	$ (107,464)
Foreign currency translation differences	(15)	(11)
Comprehensive loss before non-controlling interest	**(63,832)**	**(107,475)**
Less: Net income attributable to non-controlling interest	1,433	9
Comprehensive loss attributable to TILT Holdings Inc.	**$ (62,399)**	**$ (107,466)**
Weighted average number of shares outstanding:		
Basic and diluted	**379,578,134**	**375,502,610**
Net loss per common share attributable to TILT Holdings Inc.		
Basic and diluted	**$ (0.16)**	**$ (0.29)**

The accompanying notes are an integral part of these consolidated financial statements.

TILT HOLDINGS INC.

Consolidated Statements of Changes in Shareholders' Equity

(Amounts Expressed in Thousands of United States Dollars, Except Share Amounts)

	Common Shares		Additional		Accumulated Other Comprehensive	Accumulated	Non-Controlling	Shareholders' Equity
	Shares	Amount	Paid in Capital	Warrants	Income (Loss)	Deficit	Interest	Total
Balance - December 31, 2021	**374,082,759**	**$ 854,952**	**$ 224,835**	**$ 952**	**$ 999**	**$ (856,248)**	**$ 175**	**$ 225,665**
Share-based compensation	—	—	136	—	—	—	—	136
Warrants expired	—	—	156	(156)	—	—	—	—
Issuance and vesting of restricted share units	3,432,632	2,329	—	—	—	—	—	2,329
Shares reserved for performance awards	—	862	—	—	—	—	—	862
Comprehensive loss for the period	—	—	—	—	(11)	(107,455)	(9)	(107,475)
Balance - December 31, 2022	**377,515,391**	**$ 858,143**	**$ 225,127**	**$ 796**	**$ 988**	**$ (963,703)**	**$ 166**	**$ 121,517**
Share-based compensation	—	—	56	—	—	—	—	56
Warrants expired	—	—	67	(67)	—	—	—	—
Issuance and vesting (forfeiture) of restricted share units	7,318,155	(487)	—	—	—	—	—	(487)
Shares reserved for contingent consideration	—	(1,234)	—	—	—	—	—	(1,234)
Warrants issued as part of debt modification	—	—	—	5,106	—	—	—	5,106
CGSF/SFNY Divestiture	—	—	—	—	—	—	1,267	1,267
Comprehensive loss for the period	—	—	—	—	(15)	(62,384)	(1,433)	(63,832)
Balance - December 31, 2023	**384,833,546**	**$ 856,422**	**$ 225,250**	**$ 5,835**	**$ 973**	**$ (1,026,087)**	**$ —**	**$ 62,393**

The accompanying notes are an integral part of these consolidated financial statements.

TILT HOLDINGS INC.
Consolidated Statements of Cash Flows
(Amounts Expressed in Thousands of United States Dollars)

	Year Ended December 31, 2023		Year Ended December 31, 2022	
Cash flows from operating activities:				
Net loss	$	(63,817)	$	(107,464)
Adjustments to reconcile net loss to net cash provided by operating activities:				
Unrealized loss on investments		6,401		296
(Gain) loss on sale of assets and other		(8,795)		6
Depreciation and amortization		21,552		23,931
Amortization of operating lease right of use assets		2,587		579
Change in allowance for doubtful accounts		677		(167)
Non-cash interest income		-		(67)
Deferred tax		(5,030)		1,288
Share-based compensation (benefit) expense		(1,665)		3,327
Accretion of debt discount		2,287		2,580
Change in fair value of warrant liability		-		(2,394)
Loan receivable losses		5,602		1,677
Impairment loss and loss on disposal of assets		12,600		62,143
Inventory adjustments		7,554		1,034
Non-cash interest expense		5,435		4,229
Net change in working capital items:				
Trade receivables, net		8,102		5,862
Inventories		12,447		1,652
Prepaid expenses and other current assets		(628)		(427)
Accounts payable and accrued liabilities		(1,850)		8,965
Income tax payable		1,585		979
Deferred revenue		323		583
Net cash provided by operating activities		**5,367**		**8,612**
Cash flows from investing activities:				
Purchases of property, plant, and equipment		(713)		(15,142)
Proceeds from sale of property, plant and equipment		15,000		9
Advances of loan receivable, net of repayments		(2,517)		(1,704)
Proceeds from CGSF/SFNY Divestiture		1,400		—
Net cash provided by (used in) investing activities		**13,170**		**(16,837)**
Cash flows from financing activities:				
Payments on lease liability		(3,239)		(2,002)
Repayments on notes payable and Massachusetts Lease Liability		(15,116)		(167,608)
Repayments on Revolving Facility		(125,991)		
Debt issuance costs		(1,507)		—
Proceeds from notes payable and Massachusetts Lease Liability		4,000		174,393
Proceeds from Revolving Facility		119,568		
Proceeds from Employee Retention Credit		3,594		—
Net cash (used in) provided by financing activities		**(18,691)**		**4,783**
Effect of foreign exchange on cash and cash equivalents		(14)		(10)
Net change in cash and cash equivalents and restricted cash		**(168)**		**(3,452)**
Cash and cash equivalents and restricted cash, beginning of year		3,500		6,952
Cash and cash equivalents and restricted cash, end of year	**$**	**3,332**	**$**	**3,500**
Supplemental disclosures of non-cash investing and financing activities:				
Increases to right of use assets related to Pennsylvania Transaction	$	11,974	$	—
Increase to operating lease liability related to Pennsylvania Transaction	$	11,880	$	—
Reclassification from accounts payable and accrued liabilities to notes payable related to 2023 New Notes (Note 11)	$	8,260	$	—
Warrants issued related to 2023 Notes (equity classified)	$	5,106	$	—
Noteholder representative fee related to 2023 Refinanced Notes	$	1,620	$	—
Non-cash debt issuance cost	$	500	$	—
Decreases to right of use assets related to Taunton Facility transactions (Note 13)	$	—	$	3,940
Decreases to operating lease liability related to Taunton Facility transactions (Note 13)	$	—	$	4,454
Decreases to property, plant, and equipment related to Taunton Facility transactions (Note 13)	$	—	$	514
Supplemental disclosure of cash flow information:				
Cash paid for interest	$	13,690	$	6,449
Cash paid for income taxes	$	22	$	433

The accompanying notes are an integral part of these consolidated financial statements.

1. Nature of Operations

TILT Holdings Inc. ("TILT" or the "Company") is a business solutions provider to the global cannabis industry offering a diverse range of value-added products and services to industry participants. Through a portfolio of companies providing technology, hardware, cultivation and production, TILT services brands and cannabis retailers in regulated markets across 40 states in the United States ("U.S."), as well as Canada, Israel, Mexico, South America, and the European Union.

TILT was incorporated under the laws of Nevada pursuant to NRS Chapter 78 on June 22, 2018. The Company was continued under the Business Corporations Act (British Columbia) pursuant to a Certificate of Continuance dated November 14, 2018. The Company is a reporting issuer in Canada in the Provinces of British Columbia, Alberta, and Ontario and its common shares are listed for trading on the Cboe Canada (formerly known as the NEO Exchange) under the symbol "TILT." In addition, the common shares are quoted on the OTCQB in the U.S. under the symbol "TLLTF." The Company's head office is in Phoenix, Arizona and its registered office is located at Suite 2400, 745 Thurlow Street, Vancouver, BC V6C 0C5 Canada.

The following are the Company's major consolidated entities and the ownership interest in each that are included in these consolidated financial statements for the years ended December 31, 2023 and 2022:

		Ownership Percentage	
Major Subsidiaries	**Place of Incorporation**	**2023**	**2022**
Jimmy Jang Holdings, Inc.	British Columbia	100%	100%
Jimmy Jang, L.P.	Delaware	100%	100%
Jupiter Research, LLC	Arizona	100%	100%
Baker Technologies, Inc.	Delaware	100%	100%
Standard Farms, LLC	Pennsylvania	100%	100%
Standard Farms Ohio, LLC	Ohio	100%	100%
Sea Hunter Therapeutics, LLC	Delaware	100%	100%
Commonwealth Alternative Care, Inc.	Massachusetts	100%	100%
SFNY Holdings, Inc.	Delaware	100%	100%
CGSF Group, LLC	Delaware	0%	75%

On September 1, 2023, due to a strategic shift to focus on the Company's core business, the Company divested its interests in its joint venture in Standard Farms New York LLC ("SFNY") pursuant to a membership interest purchase agreement ("MIPA") by and among SFNY Holdings Inc. ("SFNY Holdings"), SFNY, each wholly owned subsidiaries of the Company, and CGSF Investments, LLC ("CGSF"), a wholly owned subsidiary of PowerFund Holdings II LLC (the "CGSF/SFNY Divestiture"). See Note 11 — Notes Payable for additional information.

Liquidity and Going Concern

The Company has experienced operating losses since its inception and may continue to incur losses in the development of its business. The Company incurred a comprehensive loss of $62,399 during the year ended December 31, 2023 and has an accumulated deficit of $1,026,087 as of December 31, 2023. Additionally, as of December 31, 2023, the Company had negative working capital of $19,798 compared to negative working capital of $39,570 as of December 31, 2022. The increase in working capital year-over-year was primarily driven by the refinancing of the 2019 Junior Notes (as defined below). The negative working capital as of December 31, 2023 was mainly related to certain notes payable becoming due within the next 12 months, including the Company's asset-based revolving credit facility (the "Revolving Facility"), the employee retention credit note, and obligations under the 2023 Notes (as defined below). During the year ended December 31, 2023, the Company (i) completed the Pennsylvania Transaction (as defined below); (ii) refinanced the 2019 Junior Notes (as defined below); (iii) extended the maturity date of and increased the amount available under the Revolving Facility; (iv) obtained additional funds through the 2023 Bridge Notes and paid off such 2023 Bridge Notes before the maturity date (as defined below); and (v) divested its interests in SFNY.

All dollar amounts expressed in thousands, except per share amounts

On February 15, 2023, the Company completed its previously announced sale-leaseback transaction with Innovative Industrial Properties, Inc. (“IIP”) pertaining to its White Haven, Pennsylvania facility (“White Haven Facility”) for $15,000 with net proceeds used towards repayment of debt and working capital (the “Pennsylvania Transaction”).

On February 15, 2023, the Company entered into a first amendment (the “NPA Amendment”) to its existing junior secured note purchase agreement (the “2019 Junior Notes NPA”) relating to the refinancing of its junior secured promissory notes (the “2019 Junior Notes”) and issued the 2023 Refinanced Notes (as defined below) and the 2023 New Notes (as defined below). The NPA Amendment and 2023 Refinanced Notes resulted in retiring the remainder of its 2019 senior debt facility with no further obligations. The 2023 Refinanced Notes principal of $38,000 matures on February 15, 2026, and bear interest at the greater of 16% or the prime rate plus 8.5% payable monthly. The 2023 New Notes provided gross cash proceeds of $8,260 with a maturity date of February 15, 2027. The 2023 New Notes bear interest at the greater of 16% or the prime rate plus 8.5% payable quarterly. See Note 11 — Notes Payable for defined terms and additional information.

On March 13, 2023, the Company, through its subsidiary Jupiter Research LLC (“Jupiter”), entered into an amendment to its existing $10,000 Revolving Facility to increase the amount available under the Revolving Facility to $12,500 and extend the maturity date to July 21, 2024. The Revolving Facility bears interest at the prime rate plus 3%. See Note 11 — Notes Payable for defined terms and additional information.

On May 15, 2023, the Company and its subsidiaries issued senior secured promissory notes in the aggregate principal amount of $4,500 (the “2023 Bridge Notes”). The 2023 Bridge Notes provided gross cash proceeds of $4,000 with an original issue discount of $500 and require monthly payments of $750 which started July 1, 2023. The 2023 Bridge Notes bore interest at the greater of 16% or the prime rate plus 8.5%, payable monthly, with a maturity date of December 1, 2023. See Note 11 — Notes Payable for defined terms and additional information.

For further details regarding these transactions, see Note 5 — Property, Plant and Equipment and Assets Held for Sale, Note 11 — Notes Payable and Note 13 — Leases.

The Company’s operating plans for the next 12 months include (i) increasing revenue growth from the sale of existing products and the introduction of new products across all operating segments; (ii) reducing production and operational costs as a result of efficiencies in cannabis operations; (iii) reducing supply chain costs; (iv) reducing and delaying overhead and other certain expenditures; and (v) obtaining other financings as necessary.

The Company believes that successfully implementing these operating plans will help to mitigate any substantial doubt raised by our historical operating results and satisfy our estimated liquidity needs for the 12 months following the issuance of these consolidated financial statements. However, during the second quarter of 2023, a primary supplier significantly changed the payment terms of the Company’s trade payable. This was an unexpected event impacting short-term liquidity, therefore, the Company secured additional financing through the 2023 Bridge Notes to satisfy the transition of the new payment terms and provide working capital for the business. The issuance of the 2023 Bridge Notes required the Company to have to obtain a waiver of the financial covenant defaults expected to occur for the refinanced $38,000 in aggregate principal amount of 2019 Junior Notes issued originally under the 2019 Junior Notes NPA (the “2023 Refinanced Notes”) and 2023 New Notes (defined below). As a result of the waiver, the Company had to pay default interest rates on its 2023 Refinanced Notes and 2023 New Notes (collectively, the “2023 Notes”), which resulted in an increase from 16.5% as of March 31, 2023 to 25.0% as of June 30, 2023. On October 2, 2023, the Company and its subsidiaries Jimmy Jang, L.P. (“JJ LP”), Baker Technologies, Inc. and subsidiaries (collectively, “Baker”), Commonwealth Alternative Care (“CAC”), and Jupiter (collectively, the “Subsidiary Borrowers”) entered into a Limited Waiver and Continued Forbearance Agreement (the “October Forbearance Agreement”). The October Forbearance Agreement reduced the interest rate on the 2023 Refinanced Notes to 17.0% as of September 30, 2023. Despite the Company’s ability to secure a lower interest rate on the 2023 Refinanced Notes, the 17.0% interest rate is considered high and the 2023 New Notes remain at the default interest rate of 25.0%. The interest payments required under these rates will constrain the Company’s liquidity while these rates remain in effect.

While, as of the date of this filing, the Company is not in compliance with certain payment obligations and covenants under the 2023 Refinanced Notes and the 2023 New Notes, the Holders have not provided the requisite notice of an event of default under these notes. We are currently negotiating a waiver and forbearance agreement with the Holders to address such non-compliance. The Company can provide no assurance that the parties will reach a mutually agreeable resolution. See Note 11 — Notes Payable for additional information.

As a result of this and other factors, the Company cannot predict with certainty the outcome of its actions to generate liquidity as discussed above, including the availability of additional financing as necessary, or whether such actions would generate the expected liquidity as currently planned. Therefore, management has concluded, and the report of our auditors in this Annual Report on Form 10-K reflect, that there is substantial doubt about the Company's ability to continue as a going concern within 12 months after the date of this filing. These financial statements do not include any adjustments that might become necessary should the Company be unable to continue as a going concern.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

These consolidated financial statements reflect the accounts of the Company and have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and pursuant to the rules and regulations of the U.S. Securities and Exchange Commission ("SEC") for all periods presented. These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will continue in operation for the foreseeable future and, accordingly, will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due, under the historical cost convention except for certain financial instruments that are measured at fair value, as detailed in the Company's accounting policies.

Failure to arrange adequate financing on acceptable terms and/or achieve profitability may have an adverse effect on the financial position, results of operations, cash flows and prospects of the Company. These consolidated financial statements do not give effect to adjustments to assets or liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

Functional Currency

The functional currency of the Company and its subsidiaries is the U.S. dollar. These consolidated financial statements are presented in U.S. dollars. All references to "C$" refer to Canadian dollars.

Foreign Currency Translation

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains or losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss. They are deferred in equity if they are attributable to part of the net investment in a foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the transaction occurred. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position.
- income and expenses for each statement of operations and comprehensive loss presented are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

- all resulting exchange differences are recognized as a component of accumulated other comprehensive loss in shareholders' equity.

On consolidation, exchange differences arising from the translation of any net investment in a subsidiary with a different functional currency are recognized as a component of accumulated other comprehensive loss in shareholders' equity. When a subsidiary with a different functional currency is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Principles of Consolidation

The consolidated financial statements have been prepared in accordance with U.S. GAAP and include the accounts of the Company and its subsidiaries, as well as the accounts of any entities over which the Company has a controlling financial interest in accordance with Accounting Standards Codification ("ASC") 810 Consolidation. All transactions and balances between these entities have been eliminated upon consolidation.

Reclassifications

Certain amounts in the Company's prior period consolidated financial statements have been reclassified to conform to the current period presentation.

During the year ended December 31, 2023, the Company reclassified $4,741 of the Massachusetts Lease Liability (as defined in Note 12 — Massachusetts Lease Liability) previously included in current liabilities on the consolidated balance sheet as of December 31, 2022 into the Massachusetts lease liability in noncurrent liabilities. See Note 12 — Massachusetts Lease Liability for additional information.

During the year ended December 31, 2023, the Company reclassified $1,034 of inventory valuation adjustments previously included in inventories under net change in working capital adjustments on the consolidated statement of cash flows for the year ended December 31, 2022 into inventory adjustments. See Note 4 — Inventories for additional information.

Use of Estimates

The preparation of these consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents include cash deposits in financial institutions and other deposits that are readily convertible into cash. The Company deposits cash with financial institutions, and these deposits are guaranteed by the Federal Deposit Insurance Company ("FDIC") up to an insurance limit of $250. At times, the Company's cash and cash equivalents may exceed federally insured levels.

Restricted Cash

The Company had $1,298 in restricted cash as of both December 31, 2023 and 2022. Included in restricted cash was a certificate of deposit related to Jupiter customs bonds totaling $1,253 as of both December 31, 2023 and 2022.

Trade Receivables

The Company reports trade receivables at their net realizable value, which is management's best estimate of the cash that will ultimately be received from customers. The Company's trade receivables are short-term and similar in nature.

The Company maintains an allowance for credit losses based on its assessment of historical information, current economic conditions and reasonable and supportable forecasts.

As of December 31, 2023 and 2022, the allowance for credit losses was $1,171 and $494, respectively.

Loans Receivable

The Company's loans receivable are held for investment and are reported at amortized cost, net of an allowance for credit losses. Credit losses are measured by the Company on a probability-weighted basis based on historical experience, current conditions and reasonable and supportable forecasts. Our assessment includes a variety of factors, including underlying credit, relative maturity dates of the loans, economics considerations, as well as ongoing legal and other regulatory developments in the industry. This process includes consideration for the assumed recovery rate from underlying collateral, with adjustments for time value of money and estimated costs for obtaining and selling the collateral. As of December 31, 2023 and 2022, the allowance for credit losses was $7,902 and $7,237, respectively.

Inventories

Inventories include raw materials, internally produced work in process, finished goods, supplies, accessories, and packaging materials.

Costs incurred during the growing and production process are capitalized as incurred to the extent that cost is less than net realizable value. These costs include materials, labor and manufacturing overhead used in the growing and production processes. The Company capitalizes pre-harvest costs.

Inventories of raw materials, purchased finished goods, supplies, accessories, and packing materials are carried at the lower of cost and net realizable value using the weighted average cost method.

Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion, disposal and transportation for inventories in process. The Company periodically reviews its inventory and identifies that which is excess, slow moving and obsolete by considering factors such as inventory levels, expected product life and forecasted sales demand. Any identified excess, slow moving and obsolete inventory is written down to its net realizable value through a charge to cost of goods sold. The Company recognized inventory cost adjustments of $7,554 and $1,034 during the years ended December 31, 2023 and 2022, respectively.

Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets consists primarily of prepaid amounts for insurance and other expenses, deposits, and vendor prepayments.

Property, Plant and Equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses as applicable. The cost of self-constructed assets includes the cost of materials and direct labor, any other costs directly attributable to bringing the asset to a working condition for the intended use and borrowing costs on qualifying assets. During their construction, items of property, plant and equipment are classified as construction in progress. When the asset is available for use, it is transferred from construction in progress to the appropriate category of property, plant and equipment and depreciation on the item commences. No such assets were held by the Company as of December 31, 2023 and 2022. Subsequently after deployment to their intended use, these items are reclassified to the appropriate category of property, plant and equipment.

Depreciation of property, plant and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. Depreciation is provided on a straight-line basis over the following estimated useful lives:

Machinery and equipment	2 – 7 years
Furniture and fixtures	3 – 10 years
Autos and trucks	5 years
Buildings and land improvements	5 – 39 years
Leasehold improvements	Lesser of useful life or lease term
Greenhouse - agricultural structure	5 – 15 years
Land	Not depreciated

Leases

The Company maintains operating and finance leases primarily for manufacturing facilities, retail facilities, corporate offices, and certain equipment and storage.

The Company applies ASC Topic 842, Leases (“Topic 842”). Topic 842 requires lessees to recognize a right-of-use asset and a lease liability on the balance sheet for substantially all leases, except for short-term leases. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations.

New contracts are analyzed to determine whether they include leased assets; such leases are referred to as embedded leases. When evaluating contracts for embedded leases, the Company exercises judgment to determine if there is an explicitly or implicitly identified asset in the contract and if the Company controls the use of that asset.

The Company’s accounting policy treats leases with an initial term of 12 months or less as short-term leases. Lease expense for short-term lease payments is recognized on a straight-line basis over the term of the lease.

Operating lease right-of-use (“ROU”) assets and lease liabilities are recognized based on the present value of lease payments over the lease term. Because most of the leases do not include an implicit discount rate, the Company uses its incremental borrowing rate to calculate the present value of lease payments. As a practical expedient, the Company has elected not to separate lease components (e.g. payments for rent, real estate taxes and insurance costs) from non-lease components (e.g. common-area maintenance costs). As a result, if the non-lease components are fixed, they are included when calculating the ROU asset and related lease liability. See Note 13 — Leases for additional information.

Investments

The Company held an investment in a marketable equity security with a readily determinable fair value, and the Company applies ASC 321, Investments—Equity Securities (“Topic 321”). The marketable security investment is carried at fair value with unrealized gains and losses included in unrealized loss on investment on the consolidated statements of operations and comprehensive loss.

The Company held investments in privately held cannabis companies where the Company does not exercise significant influence, and therefore Topic 321 applies. Readily determinable fair values were not available, and the Company elected to apply the measurement alternative where the investments are initially recorded at cost and are remeasured at fair value upon impairment or observable transaction prices, which is evaluated quarterly.

All dollar amounts expressed in thousands, except per share amounts

Intangible Assets

Intangible assets are recorded at cost, less accumulated amortization and impairment losses, if any. Intangible assets acquired in a business combination are measured at fair value at the acquisition date. Amortization is recorded on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any, over the following terms:

Customer relationships	10 – 13 years
Trademarks	7 – 10 years
License rights (1)	9 years
Management agreements	Over the term of the agreement
Patents and technologies	10 years
Backlog and non-competition agreements	4 – 14 years

(1) Licenses to cultivate, process, or dispense cannabis are considered to have indefinite lives as they can be renewed in perpetuity.

Intangible assets that have indefinite useful lives are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. The estimated useful lives, residual values and amortization methods are reviewed at each year-end, and any changes in estimates are accounted for prospectively. During the years ended December 31, 2023 and 2022, the Company recognized $4,916 and $11,351 in impairment charges related to intangible assets, respectively.

Impairment of Long-Lived Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. If events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable, the Company compares the carrying amount of an asset group to future undiscounted net cash flows, excluding interest costs, expected to be generated by the asset group and their ultimate disposition. If the sum of the undiscounted cash flows is less than the carrying value, the impairment to be recognized is measured by the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. For the years ended December 31, 2023 and 2022, the Company did not recognize impairments of long-lived assets.

Goodwill

Goodwill represents the excess of the purchase price paid for the acquisition of a business over the fair value of the net assets acquired. Goodwill is either assigned to a specific reporting unit or allocated between reporting units based on the relative fair value of each reporting unit. Goodwill is not subject to amortization and is tested annually for impairment, or more frequently if there is any indication of impairment.

Goodwill is tested for impairment annually and whenever events and circumstances indicate that the carrying amount of goodwill has been impaired. In order to determine the value of goodwill that may have been impaired, the Company performs a qualitative assessment to determine that it was more likely than not if the reporting unit's carrying value is less than the fair value, indicating the potential for goodwill impairment. Several factors, including historical results, business plan, forecasts and market data are used to determine the fair value of the reporting unit. Changes in the conditions for these judgements and estimates can significantly affect the assessed value of goodwill. For the years ended December 31, 2023 and 2022, the Company recognized $3,030 and $49,794, respectively, in impairment charges related to goodwill.

Income Taxes

The Company uses the asset and liability method to account for income taxes. Deferred income tax assets and liabilities are determined based on enacted tax rates and laws for the years in which the deferred income taxes are expected to reverse. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

All dollar amounts expressed in thousands, except per share amounts

As the Company operates in the cannabis industry, it is subject to the limits of Section 280E of the Internal Revenue Code (the "IRC") under which the Company is only allowed to deduct expenses directly related to the cost of producing the products or cost of production.

According to the authoritative guidance on accounting for uncertainty in income taxes, we may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. This guidance also addresses de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and disclosure requirements for uncertain tax positions.

Revenue Recognition

Revenue is recognized by the Company in accordance with ASC 606, Revenue from Contracts with Customers ("Topic 606"). The Company recognizes revenue to depict the transfer of promised goods to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods.

The Company applies the following five (5) steps:

- Identify a customer along with a corresponding contract;
- Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;
- Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;
- Allocate the transaction price to the performance obligation(s) in the contract; and
- Recognize revenue when or as the Company satisfies the performance obligation(s).

Revenue represents the amount the Company expects to receive for goods in its contracts with customers, net of discounts and sales taxes. The Company's revenue is derived from the following:

Wholesale of Goods – Vaporization and Inhalation Devices

Revenue is recognized from wholesale goods when the Company transfers control to the customer and satisfies its performance obligations, which typically occurs upon shipment.

Direct Sale of Goods – Cannabis

Revenue from the direct sale of goods is recognized when the Company transfers control of the goods to the customer and satisfies its performance obligations, which occurs at the point of sale at the dispensary.

Shipping and handling costs, if applicable, are included in cost of goods sold in the accompanying consolidated statements of operations and comprehensive loss.

Contract assets represent the right to receive payment for goods and services that have been transferred to the customer conditional upon something other than the passage of time. Deferred revenues include obligations to provide goods and services for which payment has been received. There are no contract assets on unsatisfied performance obligations as of December 31, 2023 and 2022. The consolidated balance sheets include deferred revenue of $6,083 and $5,760 as of December 31, 2023 and 2022, respectively, for advance consideration received from wholesale customers for the sale of vaporization and inhalation devices through Jupiter.

Share-Based Payments

The Company has a stock and incentive plan whereby awards are granted to certain employees, management, directors, and consultants. The fair value of the share options, performance stock units ("PSU") and restricted stock units ("RSU") granted by the Company are recognized as compensation expense on a straight-line basis over the applicable vesting period, which varies based on the grant and vest dates assigned to individual awards. The fair value of the share options is measured using the Black-Scholes option pricing model, and the fair value of the PSUs and RSUs are measured using intrinsic value, as of the grant date. Forfeitures are estimated based on historical experience and expense related to awards, and the estimate is adjusted over the term of the awards to reflect their probability of vesting. All fully vested awards are fully expensed.

Cost of Goods Sold

Cost of goods sold represents costs directly related to manufacturing and distribution of the Company's products. Primary costs include raw materials, packaging, direct labor, overhead, shipping and handling, the depreciation of certain property, plant and equipment, and tariffs. Manufacturing overhead and related expenses include salaries, wages, employee benefits, utilities, maintenance, and property taxes. Cost of goods sold also includes inventory valuation adjustments. The Company recognizes the cost of goods sold as the associated revenues are recognized.

Advertising Costs

Advertising costs were $1,163 and $2,450 for the years ended December 31, 2023 and 2022, respectively. These costs are expensed as incurred and are included in sales and marketing expenses on the consolidated statements of operations and comprehensive loss.

Non-controlling Interest

Non-controlling interests ("NCI") represent equity interests in subsidiaries owned by outside parties. NCI is initially measured at the NCI's proportionate share of the recognized amounts of the acquiree's identifiable net assets. Changes in the Company's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The share of net assets attributable to the NCI is presented as a component of equity on the consolidated balance sheets, and the NCI's share of net income or loss is recognized directly in the consolidated statements of shareholders' equity. The Company had one NCI in CGSF prior to the CGSF/SFNY Divestiture.

Income (Loss) Per Share

The Company presents basic and diluted income (loss) per share data for its common shares. Basic income (loss) per share is calculated by dividing the net income or loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. Diluted income (loss) per share is determined by adjusting the profit or loss attributable to common shareholders and the weighted average number of common shares outstanding, adjusted for the effects of all dilutive potential common shares.

Warrants

The Company accounts for the issuance of common share purchase warrants issued in connection with equity offerings in accordance with the provisions of ASC 815, Derivatives and Hedging ("Topic 815"). The Company accounted for certain common share warrants outstanding as a liability at fair value and adjusts the instruments to fair value at each reporting date. This liability is subject to re-measurement at each balance sheet date until exercised, and any change in fair value is recognized in other (expense) income on its consolidated statements of operations and comprehensive loss.

Significant Accounting Judgments and Estimates

The preparation of the Company's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods. Significant judgments and estimates that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

Estimated Useful Lives and Depreciation of Property, Plant and Equipment and Intangible assets

Depreciation and amortization of property, plant and equipment and intangible assets is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

Measurement of Share-Based Payments

The Company uses the Black-Scholes option-pricing model to determine the fair value of equity-settled share-based payments. In estimating fair value, management is required to make certain assumptions and estimates such as the expected life of units, volatility of the Company's future share price, risk free rates, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

Impairment of Other Long-lived Assets

The assessment of any impairment of other long-lived assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions, the useful lives of assets and estimates used to measure impairment losses. The recoverable value of these assets is determined using present value techniques, which incorporate assumptions regarding future events, specifically future cash flows, growth rates and discount rates.

Goodwill and Indefinite Life Intangible Asset Impairment

Goodwill is tested for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of goodwill may have been impaired. In order to determine that the value of goodwill may have been impaired, the Company performs a qualitative assessment to determine that it was more-likely- than-not if the reporting unit's carrying value is less than the fair value, indicating the potential for goodwill impairment. A number of factors, including historical results, business plans, forecasts and market data are used to determine the fair value of the reporting unit. Changes in the conditions for these judgments and estimates can significantly affect the assessed value of goodwill.

Deferred Tax Assets

Deferred tax assets, including those arising from tax loss carry-forwards, require management to assess the likelihood that the Company will generate sufficient taxable earnings in future periods in order to utilize recognized deferred tax assets. The Company provides a valuation allowance when it is more likely than not that some portion of the deferred tax assets will not be realized. Management assesses the available positive and negative evidence to estimate if sufficient future taxable income will be generated to utilize the existing deferred tax assets.

Recently Adopted and Issued Accounting Pronouncements

Recent accounting pronouncements, other than those below, issued by the Financial Accounting Standards Board ("FASB"), the American Institute of Certified Public Accountants, and the SEC did not or are not believed by management to have a material effect on the Company's present or future financial statements.

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued accounting standards update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which improves reportable segment disclosure requirements. These improvements include enhanced disclosures about significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss, the CODM's title and position, the measures the CODM uses to measure segment profit or loss, and how the CODM uses those measures. This guidance is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning December 15, 2024 with early adoption permitted. The Company expects to adopt this standard on January 1, 2024 and does not anticipate any impact on its financial statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures.* This ASU requires public companies to annually disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold, certain information about income taxes paid, and certain information disaggregated between federal, state, and/or domestic, and foreign. This guidance is effective for public business entities after December 15, 2024, with early adoption permitted. The Company expects to adopt this standard on January 1, 2025 and does not anticipate any impact to its financial statements.

3. Fair Value Measurements

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers all related factors of the asset by market participants in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Items Measured at Fair Value on a Recurring Basis

Assets and liabilities measured at fair value on a recurring basis, including their levels in the fair value hierarchy are as follows:

	As of December 31, 2023		
	Fair value hierarchy		
Fair value of assets	**Level 1**	**Level 2**	**Level 3**
Cash and cash equivalents	$ 2,034	$ —	$ —
Restricted cash	1,298	—	—
Investments	1	—	—
Total	**$ 3,333**	**$ —**	**$ —**

All dollar amounts expressed in thousands, except per share amounts

Fair value of assets	As of December 31, 2022 Fair value hierarchy Level 1	Level 2	Level 3
Cash and cash equivalents	$ 2,202	$ —	$ —
Restricted cash	1,298	—	—
Investments	2	—	—
Total	**$ 3,502**	**$ —**	**$ —**

Investments

The Akerna Corp. ("Akerna") marketable security balance included in investments has Level 1 inputs. During the years ended December 31, 2023 and 2022, the Company recorded losses of $1 and $100, respectively, related to its investment in Akerna. These losses are included in unrealized loss on investment on the consolidated statements of operations and comprehensive loss.

The HERBL Inc. ("HERBL") investment is recorded at cost and excluded from the schedule above. During the three months ended June 30, 2023, the Company noted declining conditions in its investment in HERBL and performed impairment testing. The Company concluded that the balance of its investment was not recoverable due to HERBL entering into receivership in June 2023 and recorded an impairment of $6,400 on its investment in HERBL, bringing the balance of its investment to zero. These losses are included in unrealized loss on investment on the consolidated statements of operations and comprehensive loss. The balance was $0 and $6,400 as of December 31, 2023 and December 31, 2022, respectively.

See Note 6 — Investments for additional information about the Akerna and HERBL investments.

The Big Toe Ventures LLC ("Big Toe") balance included in investments was initially recorded at cost, but impairment was subsequently identified and the balance was adjusted to zero as an approximation of fair value using Level 3 inputs at December 31, 2022, resulting in a loss of $196 during the year ended December 31, 2022, which is included in unrealized loss on investment on the consolidated statements of operations and comprehensive loss. The balance was zero as of December 31, 2023.

Warrants

There was no warrant liability as of both December 31, 2023 and 2022. During the year ended December 31, 2022, the Company recorded a loss of $2,394 on the change in fair value of its warrant liability. This loss is included in other income (expense) in the consolidated statements of operations and comprehensive loss.

Financial Instruments

The carrying amount of the Company's notes payable, which are recorded at amortized cost, approximates their fair value based upon market interest rates available to the Company for debt of similar risk and maturities, a Level 3 input. See Note 11 — Notes Payable for additional information. Additionally, the carrying amount of the Company's loans receivable, net of expected credit losses, approximates their fair values. See Note 9 — Loans Receivable for additional information. There were no transfers between the levels of fair value hierarchy during the years ended December 31, 2023 and 2022.

Items Measured at Fair Value on a Non-Recurring Basis

Goodwill

During the year ended December 31, 2023, the Company performed its annual impairment test on goodwill. Based on the test results, the Company determined that the carrying amount of the Standard Farms, LLC ("Standard Farms PA") reporting unit exceeded its fair value and recorded a $3,030 goodwill impairment charge.

All dollar amounts expressed in thousands, except per share amounts

As a result of missed forecasts for Jupiter, the Company conducted testing of its goodwill related to Jupiter as of June 30, 2022. After this review, the Company determined that the carrying amount of the Jupiter reporting unit exceeded its fair value and recorded a $6,668 goodwill impairment charge for the six months ended June 30, 2022.

During the six months ended December 31, 2022, the Company identified additional impairment triggers for three of its reporting units, which resulted in an additional impairment charge of $38,957 for Jupiter and impairment charges of $2,789 and $1,380 for Standard Farms PA and Standard Farms OH, respectively.

The following table summarizes the goodwill activity for the years ended December 31, 2023 and 2022:

Balance, January 1, 2022	**$**	**70,545**
Jupiter impairment		(45,625)
Standard Farms PA impairment		(2,789)
Standard Farms OH impairment		(1,380)
Balance, December 31, 2022		**20,751**
Standard Farms PA impairment		(3,030)
Balance, December 31, 2023	**$**	**17,721**

See Note 8 — Goodwill for additional information.

4. Inventories

The Company's inventories consisted of the following:

	December 31, 2023		December 31, 2022	
Raw Material - cannabis plants	$	2,651	$	3,383
Raw Material - other materials		483		763
Work in progress		13,380		11,268
Finished goods		14,758		34,779
Supplies and accessories		1,636		2,716
Total Inventories	**$**	**32,908**	**$**	**52,909**

During 2023, the Company shifted its sales and operation strategies. As a result, during the year ended December 31, 2023, the Company recorded total inventory adjustments of $7,554. During the year ended December 31, 2022, the Company recorded inventory adjustments of $1,034. These amounts are included in cost of goods sold on the consolidated statements of operations and comprehensive loss.

All dollar amounts expressed in thousands, except per share amounts

5. Property, Plant and Equipment and Assets Held for Sale

Property, plant and equipment consisted of the following:

	December 31, 2023	December 31, 2022
Land	$ 6,266	$ 6,434
Land improvements	—	461
Machinery & equipment	13,250	13,692
Furniture & fixtures	751	790
Buildings	45,107	51,987
Greenhouse - agricultural structure	6,769	8,196
Leasehold improvements	10,380	9,955
Construction in progress	306	610
Autos & trucks	275	256
Total cost	83,104	92,381
Less: accumulated depreciation	(31,919)	(24,444)
Total property, plant and equipment	**$ 51,185**	**$ 67,937**

During the years ended December 31, 2023 and 2022, the Company recognized depreciation expense of $7,654 and $8,197, respectively. Depreciation expense is included in cost of goods sold and depreciation and amortization in the consolidated statements of operations and comprehensive loss.

On February 15, 2023, the Company completed the Pennsylvania Transaction that included the sale of the White Haven Facility. The Company received cash proceeds of $15,000 and derecognized the property, plant and equipment with a net carrying value of $6,599, resulting in a gain on sale of assets of $8,401. See Note 13 — Leases for additional information.

During 2023, the Company refocused its Massachusetts retail operations, reducing the operating capacity of CAC's Cambridge dispensary. As a result, the Company incurred a property and equipment impairment adjustment and loss of $2,788 during the year ended December 31, 2023. This loss is included in impairment loss and loss on disposal of assets in the consolidated statements of operations and comprehensive loss.

During 2022, in connection with management's ongoing multi-phase plans to produce high-quality flowers the Company replaced existing lights with new market-standard LED lights. As a result, the Company recorded a loss on disposal in the amount of $697. This loss is included in impairment loss and loss on disposal of assets in the consolidated statements of operations and comprehensive loss.

6. Investments

The Company's investments included the following:

Investment	December 31, 2023	December 31, 2022
HERBL, Inc.	$ —	$ 6,400
Akerna	1	2
Total Investments	**$ 1**	**$ 6,402**

On June 11, 2021, in connection with the sale of the Company's member interests in Yaris Acquisition LLC d/b/a Blackbird ("Blackbird"), the Company settled a pre-existing senior secured promissory note due to the Company (the "Blackbird Note") in exchange for 36,937 class B common shares of HERBL, Inc. ("HERBL"), and $1,500 cash. The Company recorded the investment in HERBL in accordance with a measurement alternative due to the lack of readily determinable fair values. The measurement alternative allows the Company to record the investments at cost, less impairment, if any, and subsequently adjust for observable price changes of identical or similar investments of the same issuer. The initial cost applied was $6,400 with no adjustments through December 31, 2022.

All dollar amounts expressed in thousands, except per share amounts

The Company intended to hold the HERBL investment until HERBL executed its next equity financing. However, during June 2023, the Company determined that it was not probable that HERBL would issue additional shares to bring the Company's investment up to its initial cost as HERBL entered into receivership in June 2023. Therefore, during 2023, the Company recorded an impairment loss of $6,400 on its investment in HERBL to adjust the balance to zero. This loss is included in unrealized loss on investment in the consolidated statements of operations and comprehensive loss.

The Company originally held 58,293 shares of Akerna, listed on the Nasdaq Capital Market under the symbol "KERN." On November 8, 2022, Akerna effected a 20-for-1 reverse stock split which resulted in the Company's shares being reduced to 2,915. During the years ended December 31, 2023 and 2022, the Company recorded unrealized losses on investment of $1 and $100, respectively, which are included in unrealized loss on investment in the consolidated statements of operations and comprehensive loss.

In November 2018, the Company acquired class A membership units of Big Toe in exchange for $1,000 cash. The fair value of the Big Toe investment was not readily determinable, and the Company elected to apply the measurement alternative. The initial cost applied was $1,000. During 2022 the Company recognized an impairment loss of $196 which brought the balance to zero. The impairment loss was included in unrealized loss on investment on the consolidated statements of operations and comprehensive loss.

7. Intangible Assets

Intangible asset balances consisted of the following:

Intangible assets	December 31, 2023	December 31, 2022
Customer relationships	$ 85,300	$ 85,300
Trademarks	29,000	29,000
License rights(1)	2,361	6,540
Management agreements	—	926
Patents & technologies	32,900	32,900
Backlog and non-competition agreements	10,406	10,406
Total intangible assets, at cost	**159,967**	**165,072**
Less: Accumulated amortization	(75,166)	(62,358)
Total intangible assets, net	**$ 84,801**	**$ 102,714**

(1) License rights primarily consists of indefinite-lived intangible assets, which pertain to licenses for cultivation, are not subject to amortization and are tested annually for impairment. Refer to Note 2 — Basis of Presentation and Summary of Significant Accounting Policies for further information pertaining to the Company's accounting policies for its intangible assets.

Amortization expense for the years ended December 31, 2023 and 2022, was $12,996 and $14,706, respectively, which is included in depreciation and amortization in operating expenses in the consolidated statements of operations and comprehensive loss.

The Company tests its license rights, which have indefinite useful lives, for potential impairment on an annual basis. During 2023 and 2022, the Company recorded impairment losses of $4,916 and $11,351, respectively. These losses are included in impairment loss and loss on disposal of assets on the consolidated statements of operations and comprehensive loss.

During 2023, prior to the CGSF/SFNY Divestiture, the Company recognized an impairment loss of $737 on the CGSF-related management agreement to bring the net carrying value to zero. This loss is included in impairment loss and loss on disposal of assets in the consolidated statements of operations and comprehensive loss. Subsequently, the CGSF/SFNY Divestiture resulted in derecognizing the remaining management agreement balance and related accumulated depreciation.

All dollar amounts expressed in thousands, except per share amounts

The following table outlines the estimated future annual amortization expense for intangible assets as of December 31, 2023:

Years ended December 31,	Estimated amortization
2024	$ 12,953
2025	12,953
2026	12,796
2027	12,796
2028	12,778
Thereafter	18,325
	$ 82,601

8. Goodwill

For the purposes of impairment testing, goodwill is allocated to the Company's reporting units as follows:

	Jupiter	Standard Farms PA	Standard Farms OH	Total
Balance, December 31, 2021	$ 63,346	$ 5,819	$ 1,380	$ 70,545
Impairment	(45,625)	(2,789)	(1,380)	(49,794)
Balance, December 31, 2022	$ 17,721	$ 3,030	$ —	$ 20,751
Impairment	—	(3,030)	—	(3,030)
Balance, December 31, 2023	**$ 17,721**	**$ —**	**$ —**	**$ 17,721**

The recoverable amounts for each reporting unit are based on fair value, using an income approach. Where applicable, the Company uses its comparative market multiples to corroborate discounted cash flow results. The fair value measurement was categorized as a Level 3 based on inputs in the valuation technique used. The key assumptions used in the calculation of the fair value of each reporting unit include management's projections of future cash flows. For 2023 testing a five year period was used, while a ten year period was used for 2022 testing. Other key assumptions include a terminal value, growth rate and discount rate based on the estimated weighted average cost of capital that incorporates the risks specific to the reporting units.

The Company conducted annual testing of its goodwill as of December 31, 2023 and determined that the carrying value of its Standard Farms PA reporting unit exceeded its fair value.

Due to missed forecasts for Jupiter, the Company conducted testing of its goodwill related to Jupiter by assessing if the carrying value for the reporting unit exceeded its fair value during the six months ended June 30, 2022.

During the six months ended December 31, 2022, the Company identified additional impairment triggers for three of its reporting units, including declines in its share price and market capitalization and changes in cannabis market conditions, including increased borrowing rates. As a result, the carrying value of all three reporting units exceeded their respective fair values as of December 31, 2022.

The following tables details the key assumptions used in determining the recoverable amounts as of December 31, 2023 and 2022:

	Jupiter	Standard Farms PA
Terminal value growth rate	3.0%	3.0%
Discount rate	19.0%	17.0%
Projected revenue growth rate[(1)]	9.9%	11.8%
Fair value	$ 96,111	$ 24,280

All dollar amounts expressed in thousands, except per share amounts

	Jupiter	Standard Farms PA	Standard Farms OH
Terminal value growth rate	3.0%	3.0%	2.0%
Discount rate	24.5%	35.9%	30.0%
Projected revenue growth rate(2)	10.9%	25.4%	29.2%
Fair value	$ 102,500	$ 24,150	$ 1,710

(1) Reflects estimated compound annual revenue growth over the next five years.
(2) Projected revenue growth rate averaged over the next ten years.

Based on the test results for Jupiter and Standard Farms PA as of December 31, 2023, the carrying amount of Standard Farms PA exceeded its fair value by $3,030. Consequently, an impairment loss of $3,030 was booked to Standard Farms PA. The fair value of Jupiter exceeded its carrying value, and no impairment loss was recorded related to this reporting unit.

Based on the test results for Jupiter as of June 30, 2022, the carrying amount of the reporting unit exceeded its fair value by $6,668. Consequently, an impairment loss was recorded for goodwill during the six months ended June 30, 2022. Based on the test results for Jupiter, Standard Farms PA, and Standard Farms OH as of December 31, 2022, the carrying amount of all three reporting units exceeded their respective fair values by $43,126. Consequently, impairment losses of $38,957, $2,789, and $1,380 were booked to Jupiter, Standard Farms PA, and Standard Farms OH, respectively.

9. Loans Receivable

A breakdown of the loans receivable terms and balances are as follows:

Loans receivable	December 31, 2023	December 31, 2022
Teneo Fund SPVi LLC Note	$ 5,622	$ 5,911
Pharma EU, LLC Note	1,410	1,410
A&R Note	710	710
SSZ and Elev8 Note	1,002	1,002
Pure Hana Synergy Note	224	224
Little Beach Harvest Note	—	2,199
Total loans receivable	**$ 8,968**	**$ 11,456**
Less allowance for expected credit losses	(7,902)	(7,237)
Loans receivable, net of expected credit losses	1,066	4,219
Less current portion of loan receivable	—	(516)
Loans receivable, long-term	**$ 1,066**	**$ 3,703**

Little Beach Harvest Note

In June 2023, the Company determined that it may not be able to collect the full amount of its loan receivable from its note with Little Beach Harvest LLC (the “Little Beach Harvest Note”). As a result, the Company did not record any interest income for the year ended December 31, 2023.

In September 2023, the Company completed the CGSF/SFNY Divestiture. As a result, the Company wrote off the principal of the Little Beach Harvest Note as well as related accrued interest totaling $5,135 and the balance no longer exists. See Note 11 — Notes Payable for defined terms and more information.

The Little Beach Harvest Note loan receivable balance was subject to an interest rate of 9.0%. Interest income was $67 for the year ended December 31, 2022 and is included in interest income on the consolidated statements of income and comprehensive loss.

All dollar amounts expressed in thousands, except per share amounts

Impairment

At each reporting date, the Company assesses whether loans receivables are credit impaired by applying the guidance in ASC 326. A financial asset is considered "credit impaired" when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit impairment is based on observable data such as significant financial difficulty of the debtor and a breach of contract such as a default or being past due. In September 2023, the Company wrote off the Little Beach Harvest Note in connection with the CGSF/SFNY Divestiture. The Company had previously recorded an allowance related to this note of $5,121, which was reversed when the CGSF/SFNY Divestiture was completed. During the year ended December 31, 2023, the Company recorded an additional $665 of allowance for expected credit losses related to its remaining loans receivable due to revised collectability estimates.

Current expected credit loss ("CECL") reserves are measured by the Company on a probability-weighted basis based on historical experience, current conditions, and reasonable and supportable forecasts. Our assessment includes a variety of factors, including underlying credit, relative maturity dates of the loans, economic considerations, as well as ongoing legal and other regulatory developments in the industry. The process includes consideration for the assumed recovery rate from underlying collateral, with adjustments for time value of money and estimated costs for obtaining and selling the collateral. Given the repayment profile and underlying terms of such loans, CECL reserves are generally estimated over the contractual term of the loan.

The following tables present an analysis of the credit quality of loans receivable, together with impairment losses recognized based on lifetime CECL reserves:

	As of December 31, 2023		
Nature of collateral	**Gross amounts**	**Loan losses**	**Net**
Security interest in assets of counterparty	$ 7,334	(6,268)	**$ 1,066**
Third party guarantee	1,410	(1,410)	—
No collateral	224	(224)	—
Net loans receivable	**$ 8,968**	**$ (7,902)**	**$ 1,066**

	As of December 31, 2022		
Nature of collateral	**Gross amounts**	**Loan losses**	**Net**
Security interest in assets of counterparty	$ 9,822	$ (5,915)	**$ 3,907**
Third party guarantee	1,410	(1,098)	**312**
No collateral	224	(224)	—
Net loans receivable	**$ 11,456**	**$ (7,237)**	**$ 4,219**

10. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

Accounts payable and accrued liabilities	**December 31, 2023**	**December 31, 2022**
Accounts payable	$ 46,326	$ 49,261
Accrued interest expense	—	2,983
Accrued payroll	1,534	1,626
Due to Jupiter Sellers	—	2,800
Other current payables/liabilities(1)	1,238	1,500
Total accounts payable and accrued liabilities	**$ 49,098**	**$ 58,170**

(1) Includes amounts such as accrued host agreement due, accrued freight, loyalty liability, and sales tax payable.

All dollar amounts expressed in thousands, except per share amounts

Loyalty Liability

For some of its locations, the Company offers a loyalty reward program to its dispensary customers. The loyalty points are accrued when earned as a liability and reduction of revenues. The amount earned is deferred until the loyalty points are redeemed or expire. As of December 31, 2023 and 2022, the loyalty liability totaled $126 and $159, respectively, which is included in accounts payable and accrued liabilities on the consolidated balance sheets.

11. Notes Payable

Notes payable are as follows:

Notes Payable	December 31, 2023	December 31, 2022
Revolving Facility – Interest rate of 11.5% as of December 31, 2023, due on July 21, 2024(1)	$ 4,749	$ 10,880
2019 Senior Notes – Interest rate of 16.0% per annum, due on February 28, 2023	—	2,169
2019 Junior Notes – Interest rate of 8.0% per annum, due on April 1, 2023	—	46,497
2023 Refinanced Notes – Interest rate of 17.0% per annum as of December 31, 2023, due on February 15, 2026	39,943	—
2023 New Notes – Interest rate of 25.0% per annum as of December 31, 2023, due on February 15, 2027(2)	10,169	—
2023 Bridge Notes – Paid in August 2023	—	—
Employee Retention Credit note and other loans and borrowings	3,594	350
Total debt	58,455	59,896
Less: Debt discount and debt issuance costs	(6,295)(2)	(168)
Less: Current portion of notes payable	(17,052)	(59,378)
Total debt, net of discount, net of current portion	**$ 35,108**	**$ 350**

(1) The Revolving Facility initially matures on July 21, 2024 and automatically renews for successive one-year terms unless terminated by the Company or the lender.

(2) The interest rate of 25.0% is the default interest rate in effect. See below for additional information.

Revolving Facility

On July 21, 2021, the Company, through its subsidiary, Jupiter, entered into a two-year, $10,000 asset-based revolving credit facility with Entrepreneur Growth Capital, LLC, a private lender. Borrowings under the Revolving Facility are limited to the available borrowing base, bear interest at Prime plus 3.5% with interest payments calculated based on the daily outstanding principal of the loan and payable to the lender monthly. The Revolving Facility is secured by Jupiter's inventory, accounts receivable and related property. The Revolving Facility had a two-year initial term and will continue for successive one-year terms unless terminated by either party effective at the end of the then-current term. On March 13, 2023, the Company, through Jupiter, entered into an amendment to the Revolving Facility that increased the amount available to $12,500 and extended the maturity date to July 21, 2024, thereafter the Revolving Facility automatically renews for successive one-year terms unless terminated by the Company or the lender.

The Company paid $294 and $229 for lender fees for the years ended December 31, 2023, and 2022, respectively, which were included in debt discount and debt issuance costs. The amortization expense was $309 and $321 for the years ended December 31, 2023 and 2022, respectively, which is included in interest expenses on the consolidated statements of operations and comprehensive loss. The balance net of amortization was $143 as of December 31, 2023.

2019 Junior Notes

On November 1, 2019, the previous sellers of Jupiter and their representative ("Note Holders") agreed to restructure the $35,000 purchase consideration payable and $1,180 accrued interest incurred in connection with the Jupiter acquisition pursuant to the 2019 Junior Notes NPA. The 2019 Junior Notes had an original maturity date of

All dollar amounts expressed in thousands, except per share amounts

April 1, 2023, and the outstanding balance was subject to interest at 8% per annum that accrued and was payable at maturity. During 2022, compounded interest of $3,541 was added to the principal balance. Through February 2023, $8,497 of principal was paid, then in February 2023 the 2019 Junior Notes were refinanced with the transactions described below.

NPA Amendment

On February 15, 2023, the Company and Note Holders executed an NPA Amendment which included the following transactions:

- Refinanced the 2019 Junior Notes, as described below.
- Issued the 2023 New Notes, as described below, in exchange for settling $8,260 due to the Note Holders that was previously included in accounts payable and accrued liabilities on the consolidated balance sheets.
- In exchange for the above transactions, the Company issued warrants with a fair value of $5,106 to the Note Holders to purchase common shares of the Company ("Debt Modification Warrants"), as described below.
- The Company incurred Note Holder fees of $2,000 and issuance costs of $649.
- The Note Holders gained the power to appoint two of the Company's five board members.
- The Company did not receive new cash proceeds as a result of the NPA Amendment.

2023 Refinanced Notes

The 2023 Refinanced Notes include the remaining $38,000 in aggregate principal from the 2019 Junior Notes. The 2023 Refinanced Notes mature on February 15, 2026, and bear interest at the greater of 16% or the prime rate plus 8.5% payable monthly. The interest rate is subject to an increase by 1% annually if the aggregate principal amount outstanding under the 2023 Refinanced Notes is greater than $30,000 on the first anniversary or greater than $22,000 on the second anniversary of the Effective Date. On February 15, 2024, the interest rate increased to 18.0%, as the aggregate principal amount was greater than $30,000 on that date. During 2023, compounded interest of $1,943 was added to the principal balance. All personal property, including inventory and equipment, as well as all proceeds have been pledged as security for the 2023 Refinanced Notes.

2023 New Notes

The 2023 New Notes issued included aggregate principal of $8,260 due to the Note Holders, with a maturity date of February 15, 2027. The 2023 New Notes were issued to settle outstanding accrued interest that was previously included in account payable and accrued liabilities on the consolidated balance sheets. The 2023 New Notes bear interest at the greater of 16% or the prime rate plus 8.5% payable quarterly. During 2023, compounded interest of $1,909 was added to the principal balance.

The NPA Amendment requires principal payments of $5,000 on each anniversary, as well as an annual payment at the beginning of each calendar year that is equal to 50% of the Company's unrestricted cash greater than $10,000 at the end of the prior calendar year. The Company is also obligated to make mandatory prepayments of net cash proceeds from asset sales, casualty and condemnation awards, future equity or debt issuances and the settlement of certain third-party assets. Principal payments are first applied to the 2023 Refinanced Notes until fully paid and then to the 2023 New Notes. No principal payments were made in 2023.

The 2023 Refinanced Notes and the 2023 New Notes are secured by a first priority security interest in all of the assets of the Company, except that the Note Holders will receive a second priority security interest in the assets that are already pledged by Jupiter under the Revolving Facility. They are also guaranteed by the Company and all subsidiaries of the Company. The equity interests in all subsidiaries of the Company have also been pledged as security.

The NPA Amendment includes affirmative and negative covenants (including financial maintenance covenants), events of default, representations and warranties that are customary for debt securities of this type. The 2023 New Notes and 2023 Refinanced Notes may be accelerated and all remedies may be exercised by the Note Holders in case of an event of default, which includes events that customarily constitute an event of default for debt securities of this type as well as upon a change of control.

On May 15, 2023, the Company and Note Holders entered into the Consent, Confirmation, Limited Waiver and Forbearance Agreement (the "May Forbearance Agreement"), in connection with the 2023 Bridge Notes (described below). In the May Forbearance Agreement, the Note Holders waived the Company's payment obligations during a forbearance period ending on December 8, 2023 and agreed to waive certain financial covenant defaults expected to occur during the forbearance period as a result of the Company entering into and performing their obligations under the 2023 Bridge Notes. The 2023 Refinanced Notes and 2023 New Notes will accrue interest at a default rate (the prime rate plus 8.5%) and late fees at the rate of $40 per month will be incurred during this forbearance period. All interest payments not made when due during the forbearance period will incur interest at the default rate, and late fees incurred will be due and payable at the end of the forbearance period.

On October 2, 2023, the Company and Note Holders entered into a Limited Waiver and Continued Forbearance Agreement (the "October Forbearance Agreement"), where the Note Holders agreed to modify certain terms and conditions of the May Forbearance Agreement. The October Forbearance Agreement provided a limited waiver of certain events of default under the 2023 Refinanced Notes and the 2023 New Notes and agreed to forbear from exercising certain rights of the Note Holders.

As of October 2, 2023, the October Forbearance Agreement provided that the Subsidiary Borrowers owed the Note Holders under the 2023 Refinanced Notes additional interest of 8.0% (the "Default Rate") in the amount of $1,388 (the "Outstanding Default Interest Amount"). The October Forbearance Agreement provides that, on or before December 29, 2023 (the "Accrued Default Interest Due Date"), Subsidiary Borrowers will pay to the Holders the Outstanding Default Interest Amount.

As provided in the October Forbearance Agreement, due to continuing events of default under the 2023 Refinanced Notes, interest accrued at the Default Rate on the outstanding balance due under the 2023 Refinanced Notes from and after September 1, 2023 until the date the events of default are cured or waived (the "Provisionally Waived Default Interest Amount"). As of June 30, 2023, the default interest rate of 25.0% was in effect for the 2023 Refinanced Notes. The October Forbearance Agreement reduced the interest applicable to the 2023 Refinanced Notes to 17.0% as of September 30, 2023. However, if the Borrowers were to make all scheduled interest payments due to the Holders under the 2023 Refinanced Notes through December 31, 2024, including the Outstanding Default Interest Amount on or before the Accrued Default Interest Due Date, but excluding the Provisionally Waived Default Interest Amount, then the required noteholders, through the Noteholder Representative, would waive the Subsidiary Borrowers' obligation to pay the Provisionally Waived Default Interest Amount and any failure to pay such amount would not constitute an event of default under the 2023 Refinanced Notes.

The October Forbearance Agreement did not modify the terms of the May Forbearance Agreement and consistent with the 2023 New Notes, any such interest payments were to be treated as provided in such 2023 New Notes and interest will accrue on the outstanding balance of the 2023 New Notes at the Default Rate. The failure to pay the outstanding default interest amount was to constitute an event of default and result in termination of the forbearance period under the May Forbearance Agreement. As of December 30, 2023, the 2023 New Notes had a default interest rate of 25.0%.

While, as of the date of this filing, the Company is not in compliance with certain payment obligations and covenants under the 2023 Refinanced Notes and the 2023 New Notes, the Holders have not provided the requisite notice of an event of default under these notes. We are currently negotiating a waiver and forbearance agreement with the Holders to address such non-compliance. The Company can provide no assurance that the parties will reach a mutually agreeable resolution.

Debt Modification Warrants

The Company issued to each Note Holder a warrant (collectively the "Debt Modification Warrants") to purchase 2,421.05 common shares of the Company for every $1 principal amount of the 2023 Refinanced Notes held by each Note Holder, for a total aggregate of 91,999,901 Debt Modification Warrants with a fair value of $5,106. See Note 14 — Shareholders' Equity for additional information.

Debt Discount and Debt Issuance Costs, 2023 Refinanced Notes and 2023 New Notes

As a result of the NPA Amendment, the Company recognized total debt discount and debt issuance costs of $7,755. The amount included $5,106 from the fair value of the Debt Modification Warrants, $2,000 Note Holder fees, and $649 of debt issuance costs. The amortization expense was $1,603 for the year ended December 31, 2023, which is included in interest expense on the consolidated statements of operations and comprehensive loss. The balance net of amortization was $6,152 as of December 31, 2023.

2023 Bridge Notes

On May 15, 2023, the Company entered into a Secured Note Purchase Agreement with certain Note Holders for the issuance of the 2023 Bridge Notes. The 2023 Bridge Notes provided gross cash proceeds of $4,000 and an original issue discount of $500 with a maturity date of December 1, 2023. The 2023 Bridge Notes were subject to interest at the greater of 16% or the prime rate plus 8.5% payable monthly. The 2023 Bridge Notes were fully repaid as of August 30, 2023. The discount was expensed during the year ended December 31, 2023.

2019 Senior Notes

On November 4, 2019, the Company entered into a private placement with total gross proceeds of $35,800 from senior secured notes held by a syndicate consisting of new investors and existing shareholders, including the Company's former CEO (the "2019 Senior Notes"). The 2019 Senior Notes had an original maturity date of 36 months from the closing date and had an interest rate from their date of issue at 8.0% per annum, payable quarterly, with principal due at maturity. During 2022, amendments extended the maturity date to February 28, 2023, and revised the interest rate to the prime rate plus 8.5%. During 2023 and 2022 the Company paid principal of $2,237 and $34,386, respectively, fully repaying the principal in February 2023.

Upon issuing the 2019 Senior Notes, the Company recognized $7,440 for debt discount and debt issuance costs. The amortization expense was $78 and $2,488 for the years ended December 31, 2023 and 2022, respectively, which is included in interest expenses on the consolidated statements of operations and comprehensive loss. The remaining balance was amortized in 2023.

Employee Retention Credit Note

During August 2023, the Company filed a claim with the Internal Revenue Service ("IRS") for employee retention credits ("ERC") totaling $3,615 applicable to the first and second fiscal quarter of 2021. The ERC is a refundable tax credit that provides eligible employers with an offset against payroll taxes for qualified wages paid during the height of the COVID-19 pandemic. The Company's eligibility is based on certain governmental orders in effect in certain states which had more than a normal impact on operations during the first and second fiscal quarter of 2021. This credit is accounted for under the guidance of ASC 450, *Contingencies*, and does not yet meet the criteria for recording a gain under ASC 450.

In order to accelerate access to the ERC funds, the Company signed an agreement with 1861 Acquisition LLC ("1861 Acquisition"). 1861 Acquisition advanced cash of $3,594 to the Company, which included $619 for fees charged by 1861 Acquisition. These fees are included in interest expense on the consolidated statements of operations and comprehensive loss. The Company expects the IRS to approve or deny its claim within the next 12 months. Upon approval and payment of the claim, the Company will settle the outstanding balance in cash to 1861 Acquisition. In the event the claim is denied in part or in total, the Company is required to pay the outstanding balance upon the denial.

CGSF/SFNY Divestiture

During September 2023, the Company completed the CGSF/SFNY Divestiture. Pursuant the MIPA, the transaction was subject to the satisfaction or waiver of certain conditions set forth in the MIPA, including, among others, the termination of the amended and restated loan agreement dated August 24, 2021 by and between SFNY and CGSF Group (the "CGSF Loan Agreement") in the form of a loan termination agreement (the "CGSF Loan Termination Agreement"). Under the CGSF Loan Termination Agreement, SFNY and CGSF Group mutually agreed to terminate and retire the CGSF Loan Agreement and any other agreement entered into in connection with the CGSF Loan Agreement, including the Little Beach Harvest Note and all of SFNY and CGSF Group's obligations under the CGSF Loan Agreement, the related promissory note, and any other related loan agreements were satisfied, terminated and released as of the date of the MIPA. As a result, the Company derecognized related notes payable of $350 during the three months ended September 30, 2023.

Future maturities of all notes payable as of December 31, 2023 are as follows:

Year ending December 31,		Amount
2024	$	13,537
2025		5,000
2026		29,749
2027		10,169
2028		—
2029 and thereafter		—
Total	**$**	**58,455**

12. Massachusetts Lease Liability

On May 16, 2022, the Company, through its subsidiary CAC, completed the acquisition of a cultivation, processing and product manufacturing lab and medical and adult-use dispensary in Taunton, Massachusetts (the "Taunton Facility") for $13,047 cash consideration pursuant to a purchase option included in the Company's lease with the previous owner of the Taunton Facility. Concurrently with the acquisition, CAC sold the Taunton Facility to IIP for $40,000 cash consideration. The Company also entered into a long-term lease for the Taunton Facility with a term of 20 years and a maturity date of May 15, 2042, with two 5-year extensions exercisable at the Company's discretion (the "Massachusetts Lease Liability"). The Massachusetts Lease Liability matures on May 15, 2042, with two five-year extension options. Lease payments are due monthly and are subject to an annual escalation of 2.5% after two years. The Company anticipates no disruption to CAC's operations as a result of these transactions.

The cash proceeds from IIP were used to pay the Taunton Facility purchase price, $25,466 was remitted to an escrow account that was included in restricted cash and the remaining proceeds were used to pay transaction expenses.

The early lease termination and acquisition of the Taunton Facility resulted in derecognizing an ROU asset balance of $3,940, and lease liability balance of $4,454; and recognizing land and building balances of $6,266 and $6,268, respectively. The transaction with IIP was accounted for as a failed sale and leaseback transaction, where the Company retained the Taunton Facility balances included in property, plant, and equipment, and recognized a note payable of $40,000.

During 2023, the Company reclassified the portion of the Massachusetts Lease Liability previously included in current liabilities on the consolidated balance sheet as of December 31, 2022 into the Massachusetts lease liability in noncurrent liabilities. This change was made due to a change in accounting principle made during the three months ended March 31, 2023. The Company was previously using an accounting alternative accepted under ASC 842, *Leases* ("ASC 842"). The Company determined that the periodic interest expense on the Massachusetts Lease Liability exceeded the periodic rental payments, resulting in an accretion of the Massachusetts Lease Liability. Therefore, the accretion would result in an increase in the lease liability in the next 12 months. Therefore, the reclassification of the Massachusetts Lease Liability better quantifies both short-term and long-term balance sheet presentations, and this approach is also acceptable under ASC 842.

All dollar amounts expressed in thousands, except per share amounts

As of December 31, 2023, the Massachusetts Lease Liability had a balance of $40,774. Future minimum lease payments for the Massachusetts Lease Liability as of December 31, 2023 are as follows:

Year ending December 31,		Amount
2024	$	4,469
2025		4,581
2026		4,695
2027		4,812
2028		4,933
2029 and thereafter		157,922
Total future payments		181,412
Less: Interest		(148,350)
Total present value of minimum payments		33,062
Add: Estimated ending residual value		7,712
Total	**$**	**40,774**

13. Leases

The following table provides the components of lease cost recognized in the consolidated statements of operations and comprehensive loss:

	Year Ended			
	December 31, 2023		December 31, 2022	
Operating lease cost	$	2,587	$	579
Finance lease cost:				
Amortization of lease assets		903		1,028
Interest on lease liabilities		377		458
Finance lease costs		1,280		1,486
Total lease cost	**$**	**3,867**	**$**	**2,065**

The following table provides the weighted average discount rates and weighted average remaining lease terms for the Company's leases:

	December 31, 2023	December 31, 2022
Operating leases		
Weighted average discount rate	19.1%	8.0%
Weighted average remaining lease term	13.65 years	5.49 years
Finance leases		
Weighted average discount rate	8.0%	8.0%
Weighted average remaining lease term	3.82 years	4.66 years

As a result of the Taunton Facility Transactions, in May 2022, the Company derecognized an ROU asset balance of $3,940 and a lease liability balance of $4,454. See Note 12 — Massachusetts Lease Liability for additional information.

On April 19, 2022, the Company entered into the Purchase and Sale Agreement between its subsidiary, White Haven RE, LLC, and an affiliate of IIP, contemplating the Pennsylvania Transaction in exchange for $15,000 cash. The Company received cash proceeds of $15,000 and recognized an ROU asset of $11,974 and an operating lease liability of $11,880 upon closing the transaction. The effective interest rate on the operating lease liability is 19.33%. The Company recorded a gain on the sale leaseback of $8,401, which is included in gain on sale of assets on the consolidated statements of operations and comprehensive loss. As of December 31, 2023, the balance of the operating lease liability associated with this transaction was $12,113.

All dollar amounts expressed in thousands, except per share amounts

In 2023, the Company refocused its Massachusetts retail operations on core assets, reducing the operating capacity of its CAC Cambridge facility, which triggered an impairment analysis for the Cambridge facility assets, including the ROU asset related to its Cambridge finance lease. As a result, the Company recognized an impairment loss of $1,206 to write the ROU asset down to its fair value.

Future minimum lease payments under the Company's non-cancellable leases as of December 31, 2023 are as follows:

Year ending December 31,	Finance	Operating
2024	$ 1,489	$ 2,433
2025	1,212	2,468
2026	926	2,530
2027	916	2,594
2028	310	2,613
Thereafter	69	25,651
Total undiscounted lease liabilities	4,922	38,289
Interest on lease liabilities	(678)	(25,474)
Total present value of minimum lease payments	4,244	12,815
Lease liability - current portion	(1,203)	(72)
Lease liability	**$ 3,041**	**$ 12,743**

14. Shareholders' Equity

Authorized Share Capital

The authorized share capital of the Company is comprised of an unlimited number of common shares without par value and an unlimited number of compressed shares without par value.

The holders of the common shares shall be entitled to receive notice of and to vote at every meeting of the shareholders of the Company and shall have one vote for each common share so held. Holders of common shares are entitled to receive as and when declared by the directors of the Company, dividends in cash or property of the Company.

LP Units of JJ LP

The limited partnership units ("LP Units") of JJ LP, a subsidiary of the Company, are exchangeable for one common share at any time per request of the owner of the LP Units and are not saleable or transferable without the Company's authorization. During the years ended December 31, 2023 and 2022, there were no LP Units of JJ LP converted to common shares. As of December 31, 2023 and 2022, 43,821,379 LP Units of JJ LP were issued and outstanding, respectively.

Warrants

In connection with the issuance of the 2019 Senior Notes, the Company issued 1,800 common share purchase warrants (the "Financing Warrants") to the subscribers for each $1 principal amount of 2019 Senior Notes subscribed, for a total aggregate of approximately 64,449,020 Financing Warrants. Each Financing Warrant is exercisable for one common share at a price ranging from C$0.33 to C$0.39 per common share for a period of 36 months from the applicable closing date. Each whole Financing Warrant entitles the holder to purchase one common share. The Financing Warrants are not subject to vesting conditions. The Financing Warrants are classified as derivative instruments liabilities and reported at fair value with changes in fair value charged or credited to earnings in the consolidated statements of operations and comprehensive loss. During the year ended December 31, 2022, all Financing Warrants valued at market had expired and there was no warrant liability as of December 31, 2022.

All dollar amounts expressed in thousands, except per share amounts

On November 22, 2019, the Company granted 9,045,691 common share purchase warrants in connection with the separation of several founders (the "Founders Separation Warrants"). Each Founders Separation Warrant is exercisable for one common share at C$1.05 and all Founders Separation Warrants expire on September 30, 2024.

During 2019 and 2020, the Company issued 1,250,000 warrants to consultants (the "Consultant Warrants"). Each Consultant Warrant is exercisable for one common share. As of December 31, 2022, there were 500,000 warrants available for exercise at a price of C$0.33, which expired on January 28, 2023.

During the year ended December 31, 2022, 63,609,520 of the Financing Warrants and 750,000 Consultant Warrants expired.

In connection with the NPA Amendment, the Company issued Debt Modification Warrants to purchase 2,421.05 common shares of the Company for every one thousand dollar principal amount of the 2023 Refinanced Notes held by each Holder, for a total aggregate of 91,999,901 Debt Modification Warrants, all of which were classified as equity at the time of issuance and were recorded at a fair value of $5,106. Each Debt Modification Warrant is exercisable at any time prior to its expiration for one common share of the Company at an exercise price of $0.07084 per common share. The Debt Modification Warrants expire on February 15, 2030 and contain customary anti-dilution adjustment provisions.

The fair value of the Debt Modification Warrants upon issuance was determined using the Black-Scholes option pricing model with the following assumptions:

Exercise price	$	0.07084
Expected dividend yield		0%
Risk free interest rate		3.94%
Expected life in years		7.0 years
Expected volatility		84.00%

The following table summarizes the warrants that remain outstanding as of December 31, 2023:

Security issued	Exercise Price (CAD$)	Number of Warrants	Expiration Date
Founders separation warrants	1.05	9,045,691	September 30, 2024
Debt modification warrants	0.09	91,999,901	February 15, 2030
		101,045,592	

A rollforward of warrant activity is as follows:

Warrants	Number of Warrants	Weighted Average Exercise Price
Balance as of December 31, 2021	**73,905,211**	**CAD$ 0.44**
Expired	(64,359,520)	CAD$ 0.35
Balance as of December 31, 2022	**9,545,691**	**CAD$ 1.01**
Issued	91,999,901	CAD$ 0.09
Expired	(500,000)	CAD$ 0.33
Balance as of December 31, 2023	**101,045,592**	**CAD$ 0.18**

All dollar amounts expressed in thousands, except per share amounts

Share-based Compensation

Under the Amended and Restated 2018 Stock and Incentive Plan (the "2018 Plan"), the Company has reserved 60,000,000 common shares to be issued as awards to employees, management, directors and consultants of the Company ("Eligible Persons"), as designated by the Company's board of directors (the "Board") or the compensation committee of the Board (the "Compensation Committee"). "Award" is defined in the 2018 Plan to include options, stock appreciation rights, restricted stocks, restricted stock units, performance stock units, dividend equivalents and stock-based awards. As of December 31, 2023, 31,051,783 common shares are available for issuance under the 2018 Plan.

Restricted Stock Units ("RSUs")

RSUs are issued to Eligible Persons and vest on a date determined by the Compensation Committee when the shares are awarded. The award recipient must be providing a service as an employee or member of the Board of the Company on the vesting date in order for the shares to vest. Share-based compensation expense related to RSUs is recognized ratably between the grant date and the vest date, with vest dates varying by award. Upon vesting of the RSUs on each vesting date, the Company issues common shares in accordance with the vesting terms.

A summary of the status of the RSUs outstanding is as follows:

RSUs	Number of RSUs		Weighted Average Grant Date Fair Value
Unvested as of December 31, 2021	**3,627,081**	**$**	**0.37**
Issued	1,729,500		0.06
Forfeited	(418,846)		0.34
Vested	(2,194,970)		0.28
Unvested as of December 31, 2022	**2,742,765**	**$**	**0.25**
Issued	13,758,307		0.03
Forfeited	(1,416,110)		0.22
Vested	(7,532,258)		0.07
Unvested as of December 31, 2023	**7,552,704**	**$**	**0.04**

During the years ended December 31, 2023 and 2022, the Company recorded $295 and $1,539 of total net share-based compensation expense relating to RSUs, respectively.

On June 12, 2023, the Company approved the grant of 2,468,301 RSUs to the audit committee chair of the Board, and 7,404,903 RSUs to three new members of the Board. These RSUs were issued at a weighted average grant date fair value of $0.03, and share-based compensation expense of $241 was recognized related to these RSUs during the year ended December 31, 2023.

During April 2023, the Company's former Chief Executive Officer ("CEO"), Gary F. Santo, Jr. forfeited various share awards, including RSUs. The forfeiture of RSUs resulted in a share-based compensation benefit of $22 for the three months ended June 30, 2023. There was no share-based compensation expense recognized related to these RSUs during the six months ended December 31, 2023. The net share-based compensation benefit relating to RSUs held by the former CEO was $4 for the year ended December 31, 2023.

During the three months ended June 30, 2023, the Company determined achievement of the milestones related to projects of its joint venture in CGSF was no longer probable. As a result, the Company reversed all share-based compensation expense recognized for the performance awards and recorded share-based compensation benefit of $1,234 for the six months ended June 30, 2023. No share-based compensation benefit or expense was recognized related to this event during the six months ended December 31, 2023.

All dollar amounts expressed in thousands, except per share amounts

During August 2023, the Company granted 3,196,678 RSUs and issued 538,425 shares to certain employees in connection with their employment with the Company. Of these RSUs, 143,525 vested on September 1, 2023 and 443,537 vested on December 1, 2023. The remaining RSUs are scheduled to vest annually, with vesting dates spread across quarters through December 1, 2026. These RSUs were issued at a weighted-average grant date fair value of $0.0294, and share-based compensation expense of $50 was recognized related to these RSUs during the year ended December 31, 2023.

As of December 31, 2023, there was $128 of remaining RSU expense to be recognized over the weighted average remaining period of 1.02 years.

During the year ended December 31, 2022, the Company recorded $1,539 of share-based compensation expense relating to RSUs. For year ended December 31, 2022, the share-based compensation expense relating to RSUs included $862 related to the performance awards for achievement of milestones relating to the projects of the Company's joint venture in CGSF.

Share Options

In accordance with its 2018 Plan, the Company granted employees and consultants share options totaling 17,837,463 at an exercise price ranging from CAD $0.39-$0.65. In accordance with the 2018 Plan, the vesting period for employees was 15% as of the date of issuance, 25% vested on December 31, 2020, and 60% vested on December 31, 2021.

For founding members of the board of directors, the options granted were fully vested on the date of grant. For non-founding members of the board of directors, 50% of the options were vested on December 31, 2020, and 50% were vested on December 31, 2021.

The weighted average grant date fair value of share options outstanding as of December 31, 2023 was $0.50, and the options had no intrinsic value. As of December 31, 2023, 7,595,131 share options were vested and exercisable and 957,030 share options were unvested, with vesting dates ranging from June 2024 to December 2025. Share-based compensation expense related to the share options is recognized ratably between the grant date and the vest date, with vest dates varying by award.

A summary of the status of the share options outstanding is as follows:

Share options	Share Options Common Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (yrs)
Balance as of December 31, 2021	**16,573,380**	**0.63**	**5.35**
Forfeited	(6,819,780)	0.68	—
Balance as of December 31, 2022	**9,753,600**	**0.60**	**6.11**
Forfeited	(1,201,439)	0.47	—
Balance as of December 31, 2023	**8,552,161**	**$ 0.62**	**4.94**

For the years ended December 31, 2023 and 2022, the Company recorded $56 and $136, respectively, of share-based compensation expense related to these options. As of December 31, 2023, there was $48 of remaining expense to be recognized over the weighted average remaining period of 0.92 years.

The following table summarizes the share options that remain outstanding as of December 31, 2023:

Security issuable	Number of Share Options	Exercise Price	Expiration Date	Options Exercisable
Legacy employees	190,000	$ 1.58-1.58	June 28, 2028	190,000
2020 employee grant	4,679,563	$ 0.30-0.48	June 25, 2030 - December 1, 2030	3,722,533
Other employee grants	3,682,598	$ 0.41-3.96	June 17, 2024 - November 21, 2029	3,682,598
Total	**8,552,161**			**7,595,131**

All dollar amounts expressed in thousands, except per share amounts

Performance Stock Units ("PSUs")

PSUs are issued to Eligible Persons and vest based on the achievement of one or more performance goals within a determined performance period, both of which are established by the Compensation Committee. The vesting of these units is tied to the Company's share price; if the target share price is not achieved, the PSUs do not vest and expire on the last day of the performance period. Share-based compensation expense related to PSUs is recognized ratably between the grant date and the vest date, with vest dates varying by award. Upon vesting of the PSUs on each vesting date, depending on the achievement of the target stock price, the Company issues common shares in accordance with the vesting terms.

On June 18, 2021, the Company awarded 1,400,000 PSUs to a former Chief Executive Officer Mark Scatterday, in connection with the creation of intellectual property. The vesting of these PSUs is contingent upon subsequent sales of a product by Jupiter. On March 31, 2022, 700,000 of these units vested, and the remaining 700,000 are unvested with an expiration date in June 2031.

During April 2023, the Company's former CEO, Gary F. Santo, Jr. forfeited various share or share-based awards, including PSUs. The forfeiture of PSUs resulted in share-based compensation benefit of $944 and $812 for the three and six months ended June 30, 2023, respectively. No additional expense or benefit was recognized related to this forfeiture during the six months ended December 31, 2023.

On September 26, 2023, the Company entered into an employment agreement with Tim Conder, pursuant to which Tim Conder serves as permanent CEO of the Company. Under the terms of the employment agreement, Mr. Conder is entitled to receive an equity grant of 2,000,000 PSUs under the 2018 Plan. Of this amount, 1,000,000 will vest upon Board's approval of whether metrics set forth in the employment agreement have been achieved as of December 31, 2023, and the remaining 1,000,000 will vest upon Board's approval of whether metrics set forth in the employment agreement have been achieved as of June 30, 2024. The vesting of these PSUs is dependent on Mr. Conder's continued employment by the Company and certain non-market conditions applicable to the vesting periods.

A summary of the status of the PSUs outstanding is as follows:

Performance Stock Units	Number of PSUs	Weighted Average Grant Date Fair Value
Unvested as of December 31, 2021	**11,804,498**	**$ 0.31**
Forfeited	(472,120)	0.18
Vested	(700,000)	0.51
Unvested as of December 31, 2022	**10,632,378**	**0.30**
Issued	2,000,000	0.06
Forfeited	(9,099,262)	0.30
Vested	(155,750)	0.21
Unvested as of December 31, 2023	**3,377,366**	**$ 0.17**

During the years ended December 31, 2023 and 2022, the Company recorded $782 of share-based compensation benefit and $1,652 of share-based compensation expense relating to PSUs, respectively. As of December 31, 2023, there was $ 175 of remaining expense to be recognized over the weighted average remaining period of 1.18 years.

A summary of the PSU awards granted containing market conditions as of December 31, 2023 is as follows:

PSU Grant Dates	Closing Price on Grant Date	Expiration Date	Outstanding (#)
September 30, 2021	$ 0.39	December 31, 2024	326,282
December 17, 2021	$ 0.23	December 31, 2024	351,084
Total			**677,366**

All dollar amounts expressed in thousands, except per share amounts

15. Loss Per Share

The following is a calculation of basic and diluted loss per share for the years ended December 31, 2023 and 2022:

Loss per share	Year Ended December 31, 2023	2022
Net loss attributable to TILT	$ (62,384)	$ (107,455)
Weighted-average number of shares and units outstanding - basic and diluted	379,578,134	375,502,610
Loss per share - basic and diluted	**$ (0.16)**	**$ (0.29)**

Diluted loss per share for the years ended December 31, 2023 and 2022 is the same as basic loss per share as the issuance of shares on exercise of warrants and share options is anti-dilutive.

16. Income Taxes

The Company is treated as a U.S. corporation under Section 7874 of the Internal Revenue Code ("IRC") and is expected to be subject to U.S. federal, state and local income tax. However, the Company is expected, regardless of any application of Section 7874 of the U.S. tax code, to be treated as a Canadian resident Company for Canadian income tax purposes. Due to the organizational structure and multinational operations, the Company is subject to taxation in U.S. federal, state and local and Canadian jurisdictions.

For the years ended December 31, 2023 and 2022, income tax expense consisted of:

	Year Ended December 31, 2023	2022
Current		
U.S. Federal	$ 1,021	$ 1,550
U.S. State	669	167
Foreign	—	—
Deferred		
U.S. Federal	(5,411)	3,260
U.S. State	382	(1,971)
Foreign	—	—
Provision for (recovery of) income taxes	**$ (3,339)**	**$ 3,006**

As the Company operates in the cannabis industry, it is subject to the limitations of IRC Section 280E. This results in permanent differences for ordinary and necessary business expenses deemed non-allowable under IRC Section 280E for income tax purposes. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

On February 15, 2023, the Company completed the Pennsylvania Transaction, which generated ordinary and capital gains of $11,074. See Note 5 — Property, Plant and Equipment and Assets Held for Sale for further details. The Company estimates that approximately $6,814 of the gain from the sale will be offset by the net capital loss carryforward. Therefore, during the year ended December 31, 2023, the Company recognized a release of the valuation allowance related to the capital loss carryforward and the corresponding benefit of the release.

During June 2023, the Company determined its investment in HERBL was not recoverable. As a result, the Company recorded a loss of $6,400 to its HERBL investment, adjusting the balance to zero. This loss was treated as a capital loss, which will more likely than not be realized. See Note 6 — Investments for additional information.

All dollar amounts expressed in thousands, except per share amounts

A reconciliation of the U.S. statutory income tax rate to the Company's effective tax rate consists of the following:

	Year Ended December 31,					
	2023			2022		
Loss from operations before income taxes	$	(65,723)		$	(104,449)	
Pre-tax loss at statutory rate		(13,802)	21.00%		(21,978)	21.04%
U.S. state and local taxes		1,051	(1.60%)		(1,839)	1.76%
IRC Section 280E		5,667	(8.62%)		6,704	(6.42%)
Canadian non-capital losses		(2,549)	3.88%		(11,805)	11.30%
Goodwill impairment		—	0.00%		8,695	(8.32%)
Other permanent differences		(2,870)	4.37%		(2,492)	2.39%
Change in valuation allowance		10,201	(15.52%)		24,918	(23.86%)
Tax rate changes		(842)	1.28%		(595)	0.57%
Other		(195)	0.30%		1,398	(1.34%)
Provision for (recovery of) income taxes	**$**	**(3,339)**	**5.09%**	**$**	**3,006**	**(2.88%)**

The Company accounts for income taxes in accordance with ASC 740 — *Income Taxes*, under which deferred tax assets and liabilities are recognized based upon anticipated future tax consequences attributable to differences between financial statement carrying values of assets and liabilities and the respective tax bases.

Deferred taxes are provided using an asset and liability method whereby deferred tax assets and liabilities are recognized based on the rates enacted for the period they are expected to reverse. Temporary differences are the differences between financial statement carrying values of assets and liabilities and the respective tax bases. The effect on deferred tax assets and liabilities of a change in tax law or tax rates is recognized in income in the period that enactment occurs.

As of December 31, 2023 and 2022, the components of deferred tax assets and liabilities were as follows:

	Year Ended December 31,			
	2023		2022	
Deferred tax assets				
Allowance for doubtful accounts	$	2,075	$	1,651
Lease liabilities		4,894		1,470
Acquisition costs		532		497
Accrued expenses		131		—
Interest expense carryforward		10,780		7,332
Net operating loss carryforwards		11,368		12,296
Capital loss carryforwards		8,085		8,174
Non-capital loss carryforwards		20,989		11,805
Investment in subsidiary		117		117
Restricted stock		465		1,157
Deferred rent		9,092		8,340
Unrealized loss		1,975		—
Inventory reserve		892		—
Other		472		520
Total deferred tax assets		71,867		53,359
Less: Valuation allowance		(49,486)		(34,230)
Net deferred tax assets		**22,381**		**19,129**

All dollar amounts expressed in thousands, except per share amounts

	Year Ended December 31,	
	2023	2022
Deferred tax liabilities		
Fixed assets	$ (9,370)	$ (10,572)
Intangible assets	(5,107)	(8,390)
Goodwill	—	(321)
Right of use asset	(4,247)	(1,219)
Total deferred tax liabilities	(18,724)	(20,502)
Net deferred tax asset (liability)	**$ 3,657**	**$ (1,373)**

Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company assessed all positive and negative evidence including the four sources of income to determine if sufficient future taxable income will be generated to use the existing deferred tax assets. A valuation allowance is maintained as of December 31, 2023 and 2022 in the amount of approximately $49,486 and approximately $34,230, respectively. The valuation allowance increased during 2023 by $15,256.

For the year ended December 31, 2023, the Company had a U.S. federal net operating loss carryforward of approximately $36,435, U.S. state and local net operating loss carryforwards of approximately $60,074, and a Canadian net operating loss carryforward of approximately $74,312. For the year ended December 31, 2022, the Company had a U.S. federal net operating loss carryforward of approximately $37,671, U.S. state and local net operating loss carryforwards of approximately $44,825, and a Canadian net operating loss carryforward of approximately $51,240. The U.S. federal net operating loss carryforwards are not subject to expiration. A portion of the U.S. state and local net operating loss carryforwards are subject to expiration from 2027 through 2041. A portion of the U.S. state and local net operating loss carryforwards are not subject to expiration. The Canadian net operating loss carryforwards are subject to expiration between 2038 to 2041. For the year ending December 31, 2023, Baker utilized federal net operating loss carryforwards of $4,621 to offset 80% of the filing entity's taxable income and $3,240 of state and local net operating loss carryforwards.

For the years ended December 31, 2023 and 2022, the Company had a U.S. federal capital loss carryforward of approximately $25,157 and $31,971, respectively. For both of the years ended December 31, 2023 and 2022, the Company had U.S. state and local capital loss carryforward of approximately $18,968, which will expire in 2025 if unused. As of December 31, 2023 and 2022, the capital loss carryforwards are not more likely than not of being realized.

The Company's U.S. income tax attributes are potentially subject to annual limitations resulting from equity shifts that constitute an ownership change as defined by IRC Section 382. Any potential annual limitations resulting from an equity shift that constitutes an ownership change under IRC Section 382 could result in additional limitation of the realization of U.S. federal, state and local income tax attributes. The Company is not utilizing any net operating loss carryforwards that would be subject to IRC Section 382, and the Company will perform an analysis as necessary.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate ("LIBOR") or another reference rate expected to be discontinued because of reference rate reform. This guidance was effective upon issuance as of March 12, 2020 and may be adopted as reference rate reform activities occur through December 31, 2022. The FASB subsequently issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic* 848, which extended the cessation date of certain LIBOR from December 31, 2022 to June 30, 2023. The adoption of this standard did not have an impact on the Company's Financial Statements, as none of the Company's notes utilized LIBOR rates.

All dollar amounts expressed in thousands, except per share amounts

As of December 31, 2023 and 2022, the Company has not recorded any unrecognized tax benefits and has not reduced any net operating loss carryforwards for an unrecognized tax benefit. The Company did not record any interest expense for penalties and interest associated with uncertain tax positions for 2023 or 2022.

17. Related Party Transactions

As of December 31, 2022, the Company had a payable of $27,090 due to Mark Scatterday, a former director of the Company, through an affiliated entity, Mak One LLP ("Mak One"), related to the acquisition of all assets and assumption of all liabilities of Jupiter. Of this amount, $23,016 is included in notes payable and $4,074 is included in accounts payable and accrued liabilities in the consolidated balance sheet as of December 31, 2022. The $23,016 included in notes payable was due on April 1, 2023 and bore interest at 8.0%. On February 15, 2023, the Company refinanced the payable as part of its 2023 Refinanced Notes. As of December 31, 2023, the balance of the payable was $19,772, which is included in notes payable in the consolidated balance sheet as of December 31, 2023. The payable bears interest at 16% or the prime rate plus 8.5% (17.0% as of December 31, 2023) and is due on February 15, 2026. The $4,074 included in accounts payable and accrued liabilities was reclassified as part of the 2023 New Notes entered into on February 15, 2023 and is now included in notes payable with a balance of $5,034 on the consolidated balance sheet as of December 31, 2023. This payable bears interest at the greater of 16% or the prime rate plus 8.5%, plus the default rate of 8% (25.0% as of December 31, 2023) and is due on February 15, 2027.

As of December 31, 2022, the Company had another payable of $1,677 due to Mark Scatterday through Mak One related to the issuance of the 2019 Senior Notes. The payable bore interest at 8.0% and was included in notes payable in the consolidated balance sheet as of December 31, 2022. On February 15, 2023, the 2019 Senior Notes were repaid and retired, and this payable was settled.

As of December 31, 2023, the Company also had a payable of $2,005 due to Adam Draizin, a current director of the Company, through Callisto Collaboration, LLC ("Callisto"), an affiliated entity. Of this amount, $1,598 is related to the 2023 Refinanced Notes and is included in notes payable in the consolidated balance sheet as of December 31, 2023. This payable bears interest at the greater of 16% or the prime rate plus 8.5% (17.0% as of December 31, 2023) and is due on February 15, 2026. The remaining $407 is related to the 2023 New Notes and is included in accounts payable and accrued liabilities in the consolidated balance sheet as of December 31, 2023. This payable bears interest at the greater of 16% or the prime rate plus 8.5%, plus the default rate of 8% (25.0% as of December 31, 2023) and is due on February 15, 2027.

In connection with the 2023 Refinanced Notes, the Company issued 91,999,901 Debt Modification Warrants to the Holders. Of this amount, 45,539,951 Debt Modification Warrants were issued to Mark Scatterday though Mak One and 3,679,996 Debt Modification Warrants were issued to Adam Draizin through Callisto.

In connection with the 2023 Bridge Notes, the Company had additional payables due to Mark Scatterday through Mak One and Adam Draizin through Sheldrake Interests, LLC ("Sheldrake), an affiliated entity. During the three months ended September 30, 2023, the Company fully repaid the 2023 Bridge Notes. As part of this repayment, the Company paid $2,669 to Mak One and $216 to Sheldrake.

18. Commitments and Contingencies

Guarantees

One of the Company's subsidiaries is a guarantor of a party to a lease agreement of a Massachusetts dispensary to which the Company has also extended the Teneo Fund SPVi LLC note, as discussed in Note 9 — Loans Receivable. The Company may be liable for the future minimum rental payments under this lease if the dispensary defaults as follows:

Year ending December 31,	Amount
2024	$ 463
2025	477
2026	492
2027	506
2028	522
2029 and thereafter	—
Total	**$ 2,460**

Litigation

The Company has been named as a defendant in several legal actions and is subject to various risks and contingencies arising in the normal course of business. Management is of the opinion that the outcome of these uncertainties will not have a material adverse effect on the Company's financial position.

On February 2, 2021, the Haze Corp., Nevada ("Haze NV") filed a complaint in Clark County, Nevada's Eighth Judicial District Court against Brand Canna Growth Partners, Inc. ("BCGP"), Michael Orr, Santé Veritas Holdings, Inc. ("SVH") and Santé Veritas Therapeutics Inc. ("SVT"). As explained below, Haze NV later amended its complaint to name a second plaintiff, the Haze Corp., Ontario ("Haze Ontario," and together with Haze NV, the "Plaintiffs"). SVH and SVT are wholly owned subsidiaries of the Company. In the operative complaint, Plaintiffs allege that Haze Ontario entered into a Finder's Fee Agreement with BCGP in 2017 and under that agreement Haze Ontario is owed payments for acquisitions that it facilitated. Plaintiffs further allege that Haze Ontario assigned its rights to payment under the Finder's Fee Agreement to Haze NV. Plaintiffs allege that BCGP is influenced and governed by SVH and SVT because they had the same principal, defendant Michael Orr, and SVH and SVT are liable for BCGP's or Orr's obligations under the Finders' Fee Agreement. SVT and SVH moved for dismissal. On May 13, 2021, the court granted the motion without prejudice. On May 17, 2021, Haze NV moved for leave to amend its complaint, adding Haze Ontario as a plaintiff and again naming SVT and SVH as defendants. That motion to amend was granted by the court on June 29, 2021. SVT and SVH again moved to dismiss on July 23, 2021. On August 10, 2021, Plaintiffs again moved to amend, seeking to add TILT Holdings Inc. ("TILT") and TILT Holdings US, Inc. ("TILT US" and, collectively with SVT, SVH and TILT, the "TILT Parties") as defendants. On October 7, 2021, the motions to dismiss were denied without prejudice and the court ordered the parties to participate in limited jurisdictional discovery before entertaining renewed motions to dismiss. Upon the closing of the limited jurisdictional discovery period, the TILT Parties moved to dismiss on April 19, 2023. By order dated August 29, 2023, the court granted the TILT Parties' motion to dismiss due to lack of personal jurisdiction. The Plaintiffs filed a notice of appeal on September 8, 2023.

19. Reportable Segments and Revenue

All dollar amounts expressed in thousands, except per share amounts

In accordance with ASC 280 — Segment Reporting, the Company identifies its reportable segments based on the Company's chief operating decision maker's review and assessment of the Company's operating performance for purposes of performance monitoring and resource allocation. The Company determined that its operations, including the decisions to allocate resources and deploy capital, are organized and managed based on the market operations (i.e., cannabis products and accessories) which were primarily determined based on the licenses each market holds. Accordingly, the Company identified four reportable segments: (i) cannabis segment (SVH, Standard Farms PA), Standard Farms Ohio, LLC ("Standard Farms OH"), Baker, and CAC), (ii) accessories (Jupiter), (iii) corporate, and (iv) other (White Haven RE, LLC, SFNY, and CGSF). The cannabis segment includes production, cultivation, extraction and sale of cannabis products and accessories including the manufacturing and distribution of electronic, non-nicotine (i.e., cannabis) devices and systems. The accessories segment includes distribution of vapor cartridges and accessory products. The corporate segment represents all corporate level and unallocated items and includes the Company's operating expenses and intercompany eliminations. During the three months ended September 30, 2023, the Company completed the CGSF/SFNY Divestiture. See Note 11 — Notes Payable for additional information.

Information related to each segment is set out below. Segment net loss is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

The following tables present the operating results of the Company's segments:

	For the year ended December 31, 2023				
	Cannabis	**Accessories**	**Corporate**	**Other**	**Total**
Revenue	$ 47,894	$ 118,728	$ —	$	$ 166,622
Inter-segment revenue	—	(666)	—		(666)
Net revenue	$ 47,894	$ 118,062	$ —	$ —	$ 165,956
Share-based compensation	—	—	(431)	(1,234)	(1,665)
Depreciation and amortization	2,923	12,953	642	100	16,618
Wages and benefits	7,924	5,593	7,603	—	21,120
Impairment loss	10,702	35	1,126	737	12,600
Interest expense	5,915	2,445	12,571	68	20,999
Loan losses	—	—	666	4,936	5,602
Net loss	(42,297)	(10,095)	(15,416)	3,991	(63,817)

	For the year ended December 31, 2022				
	Cannabis	**Accessories**	**Corporate**	**Other**	**Total**
Revenue	$ 48,029	$ 127,665	$ —	$ —	$ 175,694
Inter-segment revenue	—	(1,506)	—	—	(1,506)
Net revenue	$ 48,029	$ 126,159	$ —	$ —	$ 174,188
Share-based compensation	—	—	2,465	862	3,327
Depreciation and amortization	2,715	14,803	54	780	18,352
Wages and benefits	7,478	4,860	9,707	—	22,045
Impairment loss	16,288	45,625	175	55	62,143
Interest expense	3,391	1,742	9,108	—	14,241
Loan losses	—	—	1,677	—	1,677
Net loss	(20,182)	(63,082)	(22,451)	(1,749)	(107,464)

Geographic Areas

The following table presents financial information relating to geographic areas in which the Company operated for the years ended December 31, 2023 and 2022, respectively:

	For the year ended December 31, 2023			
	US	**Canada**	**Other**	**Total**
Revenue	$ 145,690	$ 19,810	$ 456	$ 165,956
Gross profit	19,009	5,174	193	24,376

	For the year ended December 31, 2022			
	US	**Canada**	**Other**	**Total**
Revenue	$ 160,977	$ 12,771	$ 440	$ 174,188
Gross profit	34,298	3,695	175	38,168

All dollar amounts expressed in thousands, except per share amounts

20. Subsequent Events

On January 28, 2024, TILT Holdings Inc. (the "Company") and its subsidiaries Jimmy Jang, L.P. ("JJLP"), Baker Technologies, Inc. ("Baker"), Commonwealth Alternative Care, Inc. ("CAC"), Jimmy Jang Holdings, Inc.("JJH"), JJ Blocker Co. ("JJB"), SFNY Holdings, Inc. ("SFNY"), Sea Hunter Therapeutics, LLC ("SEA"), Standard Farms Ohio LLC ("SF Ohio"), Standard Farms LLC ("SF Penn"), SH Finance Company, LLC ("SF Finance"), Jupiter Research, LLC ("Jupiter", and collectively with the Company, JJLP, Baker, CAC, JJH, JJB, SFNY, SEA, SF Ohio, SF Penn, SF Finance, the "Guarantors") and Shenzen Smoore Technology Limited ("Smoore") and each of its affiliates that sells products to Jupiter and the Company (the "Buyers") from time to time (collectively, the "Secured Party") entered into: (i) a Debt and Security Agreement in favor of the Secured Party (the "Debt and Security Agreement"); (ii) a Guaranty in favor of the Secured Party (the "Guaranty"); (iii) a Side Letter (the "Side Letter"); (iv) a Trademark Security Agreement in favor of the Secured Party; and (v) an Equity Pledge Agreement in favor of the Secured Party (collectively, the "Smoore Agreements"). Also on January 28, 2024, Entrepreneur Growth Capital LLC, Jordan Geotas, the Secured Party, and Jupiter entered into a Subordination and Intercreditor Agreement (the "Subordination and Intercreditor Agreement").

The Guarantors entered into the Smoore Agreements with the Secured Party, its principal supplier of vaping product inventory (the "Inventory") to Jupiter, to provide for the payment of currently existing accounts payable by the Guarantors to the Secured Party (the "Accounts"), reduction in the outstanding balance of Accounts from time to time in the future, and the continued shipping of Inventory to Jupiter by the Secured Party.

Under the Side Letter between the Secured Party and the Guarantors, the Guarantors agree to reduce the outstanding balance of all Accounts to \$31,000 as of April 30, 2024, \$29,000, as of June 30, 2024; \$27,000, as of September 30, 2024; and \$25,000, as of December 31, 2024 (the "Reduction Plan"). The outstanding balance of Accounts that are unpaid more than 90 days after the invoice date plus, without duplication, the aggregate dollar amount of all Accounts, regardless of the date of the related invoice, in excess of \$25,000 will incur interest at the rate of 8% per annum.

The Guarantors will have 120 days from the invoice date to pay each outstanding Account, however, the Guarantors will have a "Transition Period" though April 15, 2024 to pay any Accounts that are outstanding more than 150 days after the invoice date and through June 23, 2024 to pay any Accounts that are outstanding more than 120 days after the invoice date, provided certain conditions are satisfied, including compliance with the Reduction Plan, no default or event of default having occurred under the Smoore Agreements, and no event of default having been declared by the Guarantors' existing secured creditors. If the Guarantors fail to make timely payments on the Accounts, including under the Reduction Plan, interest will accrue on all outstanding Accounts, regardless of aggregate size or date of invoice, at the rate of 8% per annum.

Under the Side Letter, the Secured Party agrees to promptly ship ordered Inventory to Jupiter so long as the Guaranty described below remains in full force and effect, no event of default has occurred under the Smoore Agreements, and the Guarantors have performed, and the outstanding balance of all Accounts does not exceed the amounts permitted, under the Reduction Plan.

In addition to the Side Letter, the Smoore Agreements include a Guaranty by the Guarantors (other than Jupiter) for the benefit of the Secured Party, pursuant to which, those Guarantors guarantee the payment and performance of Jupiter's and the Company's obligations to the Secured Party with respect to the Accounts. The Guarantors have also entered into a Debt and Security Agreement and related collateral security documents with or for the benefit of the Secured Party, under which the Guarantors' performance under the Guaranty and Jupiter's obligations with respect to the Accounts are secured by security interests in all of the assets of the Guarantors, including a pledge of all equity interests in all direct and indirect subsidiaries of the Company. Pursuant to the Subordination and Intercreditor Agreement, certain of the Guarantors' existing secured creditors have agreed that, other than the security interest in certain assets that were pledged by Jupiter to secure a revolving credit facility, existing security interests in favor of those existing creditors are subordinated to the security interests created under the Smoore Agreements.

Exhibit 10.32

TILT EXECUTIVE EMPLOYMENT AGREEMENT

This **TILT EXECUTIVE EMPLOYMENT AGREEMENT** (the **"Agreement"**), dated September 24, 2021, with effect on **September 27, 2021** (the **"Effective Date"**), is by and between **TILT HOLDINGS INC.** (the **"Company"**) and **Mark Higgins** (the **"Executive"**). The Company and Executive are collectively referred to herein as **"Parties"** and individually as a **"Party."**

RECITALS

WHEREAS, the Executive has been employed by the Company in the position of Associate General Counsel, pursuant to a prior job offer by the Company to the Executive (**"Prior Employment Agreement"**);

WHEREAS, the Company desires to promote and to employ the Executive on the terms and conditions set forth herein;

WHEREAS, the Executive desires to accept the promotion and to be employed by the Company on such terms and conditions; and

WHEREAS, this Agreement, on the Effective Date, shall supersede and terminate the Prior Employment Agreement and any related agreements between the Executive and the Company.

NOW, THEREFORE, in consideration of the mutual covenants, promises, and obligations set forth herein, and other good and valuable consideration, the receipt and sufficiency of which are hereby expressly acknowledged, the parties agree as follows:

TERMS

1. **INCORPORATION OF RECITALS.** The Recitals above are incorporated herein as terms and conditions of this Agreement.

2. **EMPLOYMENT TERM.** The period during which the Executive is employed by the Company hereunder (the **"Employment Term"**) shall commence on the Effective Date and continue unless and until terminated in accordance with Section 6 below.

3. **POSITION, DUTIES, EXCLUSIVITY, NO BREACH OF CONTRACT CAUSED, TRAVEL REQUIREMENT.**

3.1 Position. During the Employment Term, the Executive shall serve as the **Deputy General Counsel.** The Executive shall have the powers, authorities, duties and obligations commensurate with such position, as the Company may assign from time to time. During the Employment Term, the Executive shall report to the Company's General Counsel.

3.2 Commitment to Duties. The Executive agrees to perform all services in connection with the Executive's employment well and faithfully and to the best of the Executive's ability and to carry out the policies and directives of the Company. The Executive agrees to take no action prejudicial to the interests of the Company during the Executive's employment hereunder. The Executive agrees to abide by the rules, regulations, instructions, personnel practices and policies of the Company and any changes therein that may be adopted from time to time subsequent to the execution of this Agreement. During the Executive's employment hereunder, the Executive's services shall be completely exclusive to the Company and the Executive shall devote all of the Executive's professional and business time, attention, energy and best efforts to the operations and strategic initiatives of the Company and the duties to which the Company shall assign to the Executive from time to time. The Executive shall not undertake any outside activity, regardless of whether such activity is competitive with the business of the Company, that could reasonably give rise to a conflict of interest or otherwise interfere with the Executive's duties and obligations to the Company. Notwithstanding the foregoing, the Executive will be permitted to engage in personal business, civic or charitable activities that do not compete in any way with the business of the Company, provided such activities do not unreasonably interfere with the Executive's performance of duties under this Agreement.

3.3 No Breach of Contract Caused. The Executive hereby represents to the Company and agrees that: (i) the execution and delivery of this Agreement by the Executive and the Company, and the performance by the Executive of the duties hereunder, do not and shall not constitute a breach of, conflict with, or otherwise contravene or cause a default under, the terms of any other agreement or policy to which the Executive is a party or otherwise bound (including without limitation any non-solicitation, non-competition, or other similar covenant or agreement of a prior employer), or any judgment, order or decree to which the Executive is subject; (ii) the Executive will not enter into any new agreement that would or reasonably could contravene or cause a default by the Executive under this Agreement; (iii) the Executive has no information (including, without limitation, confidential information and trade secrets) relating to any other Person that would prevent the Executive from entering into this Agreement or carrying out their duties hereunder; (iv) to the extent the Executive has any confidential or similar information that they are not free to disclose to the Company, they will not disclose such information to the extent such disclosure would violate applicable law or any other agreement or policy to which the Executive is a party, or by which the Executive is otherwise bound; (v) except as otherwise disclosed in writing to the Company, the Executive has the legal right to work in the United States without obtaining special work authorization; and (vi) the Executive understands the Company will rely upon the accuracy and truth of the representations and warranties of the Executive set forth herein, and the Executive consents to such reliance.

3.4 Travel Requirement. The Executive acknowledges that they shall be required to travel from time to time in the course and scope of performing their duties for the Company. All such travel is subject to Company policy applicable to executives, except as otherwise authorized by the Company's Chief Operating Officer.

4. **PLACE OF EMPLOYMENT.** The principal place of Executive's employment shall be from his home office in Brownsville, Vermont, which is a remote location from the Company's principal executive office in Phoenix, Arizona, *provided, however*, that the Executive shall spend significant time performing work out of the Company's Cambridge, MA office, *and provided, however*, that the Executive may often be required to travel to the Company's principal executive office in Phoenix, AZ and other operating locations of Company's subsidiaries during the Employment Term.

5. **COMPENSATION.**

5.1 Base Salary. During the Employment Term, the Company shall pay the Executive base compensation (the **"Base Salary"**), which shall be paid in accordance with the Company's regular payroll practices and applicable wage payment laws in effect from time to time, but no less frequently than a monthly basis. The Executive's Base Salary shall be paid at an annualized rate of **One Hundred Ninety-Five Thousand ($195,000.00) US Dollars,** minus applicable payroll deductions and taxes**.** The Executive's Base Salary shall be subject to annual review by the Company. Nevertheless, the Executive's Base Salary shall not be decreased during the Employment Term, other than as part of an across-the-board salary reduction, applicable in the same manner to all executives, as determined, in its sole discretion, by the Company.

5.2 Short-term Incentive Bonus. The Executive shall be eligible to receive a short-term incentive bonus for each fiscal year of the Company that occurs during the Employment Term **("Incentive Bonus").** The Executive's actual Incentive Bonus amount for a particular fiscal year shall be determined by the Company, in its sole discretion, and paid to the Executive at least by the end of April of the following fiscal year (based on the completed calculation of fourth quarter and fiscal year-end financial results). The Incentive Bonus shall be based on performance objectives and targets set at the start of the fiscal year, but, alternatively, no later than the beginning of April in that fiscal year and shall be clearly communicated to the Executive from the Company's Chief Operating Officer, at the start of the fiscal year – which may include corporate, business unit or division, financial, strategic, individual or other performance objectives. **Executive's anticipated Incentive Bonus shall have a payout at target of 30% of Base Salary and shall consist of two (2) components: (i) 65% of the Incentive Bonus shall be based upon Company financial performance, comprised of both gross sales and adjusted EBITDA, and (ii) 35% of the Incentive Bonus shall be comprised of individual performance goals agreed upon between the Executive and the Chief Operating Officer.** Notwithstanding the foregoing and except as otherwise expressly provided in this Agreement, the Executive must be employed by the Company at the time the Company pays incentive bonuses to executives generally with respect to a particular fiscal year in order to earn and be eligible for an Incentive Bonus for that fiscal year (and, if the Executive is not so employed at such time, in no event shall Executive have been considered to have "earned" any Incentive Bonus for that fiscal year).

5.3 Long-term Incentive Compensation/Equity Award.

(a) During the Employment Term, the Executive shall be eligible to participate in the Company's Amended and Restated 2018 Stock and Incentive Plan (the **"Plan"**) or any successor plan and receive long-term incentive compensation/equity award(s) (an **"Equity Award"**), subject to the terms of the Plan, as determined by the Board. The amount of equity to be granted under the Plan, if any, will be in the sole discretion of the Company and the terms of such grants will be as set forth in the applicable grant agreements.

(b) *Prior to this Agreement, the Executive was granted an option to purchase shares of common stock in accordance with the Company's Plan, and the policies of the Canadian Securities Exchange, in the amount of 100,000 Incentive Stock Options (ISOs).* Within a reasonable period after the Company is able to grant equities, pursuant to its

Insider Trading Policy, and subject to approval by the Board, the Company shall grant to the Executive **an additional Equity Award in the amount of seventy-five thousand (75,000) shares of common stock** (specifically called the **"2021 Equity Awards"**), in accordance with the Company's Plan, and the policies of the Canadian Securities Exchange. **The 2021 Equity Awards shall consist of two (2) components: (i) 65% shall be Performance Stock Units ("PSUs"), which are performance-based and awarded if the Company meets the stock price target for a particular year, and (ii) 35% shall be Restricted Stock Units ("RSUs"), which are timed-based and awarded if the Executive meets their tenure requirement.** For the avoidance of doubt, the **2021 Equity Awards shall vest**, subject to the Executive's continued employment by the Company, in accordance with the following "**Vesting Schedule**": (i) Twenty-five (25%) percent of the 2021 PSUs/RSUs shall vest on December 31, 2021 (the **"First Vesting Date"**); (ii) an additional twenty-five (25%) percent shall vest on December 31, 2022; (iii) an additional twenty-five (25%) percent shall vest on December 31, 2023; and (iv) the final twenty-five (25%) percent shall vest on December 31, 2024. The terms of the Equity Award, including vesting, shall be further set forth in the Plan and Equity Award documents. In the event of any conflict between this Section 5.3(b) and the Plan and Equity Award documents, the terms of the Plan and Equity Award documents shall govern.

5.4 Benefits. During the Employment Term, the Executive shall be entitled to all group welfare benefit and retirement plans and programs, and other fringe benefit plans and programs, that are made available by the Company to executives generally, in accordance with the eligibility and participation provisions of such plans, and as such plans or programs may be in effect from time to time.

5.5 Reimbursement of Business Expenses. The Executive is authorized to incur reasonable expenses in carrying out the Executive's duties for the Company under this Agreement and shall be entitled to reimbursement for all reasonable business expenses the Executive incurs during the Employment Term, in connection with carrying out the Executive's duties for the Company, subject to the Company's expense reimbursement policies and any pre-approval policies in effect from time to time. The Executive agrees to promptly submit and document any reimbursable expenses, in accordance with the Company's expense reimbursement policies, to facilitate the timely reimbursement of such expenses. For the avoidance of doubt, reasonable expenses in carrying out the Executive's duties shall include the yearly fees, costs and expenses to maintain his good standing in any jurisdiction where he is a member of such jurisdiction's bar. For the purpose of clarity, if a jurisdiction in which the Employee is barred requires Continuing Legal Education credits to maintain his good standing in such jurisdiction, Employee is entitled to reimbursement for the cost of access, attendance, accommodation (if necessary and approved by the General Counsel) and reasonable travel (if necessary and approved by the General Counsel) in accordance with the Company's expense reimbursement policies and any pre-approval policies in effect from time to time.

5.6 Paid Time-Off. In lieu of separate and distinct days allocated for sick time, vacation time and personal time, during the Employment Term, the Executive shall accrue **twenty (20) days of paid time-off per calendar year**, **("Paid Time-Off")**, in accordance with the Company policy in effect from time to time. More specifically, Executive's annual rate of paid time-off shall accrue to be one-hundred and sixty hours (160) per year, which is twenty (20) days per year, including any policy which may limit time-off accruals and/or limit the amount of accrued but unused time off to carry over from year to year. The Executive shall also be entitled to all other holiday and leave pay generally available to other executives, under Company policy in effect from time to time.

5.7 Withholding Taxes. Notwithstanding anything else herein to the contrary, the Company may withhold (or cause there to be withheld, as the case may be) from any amounts otherwise due or payable under or pursuant to this Agreement, such federal, state and local income, employment, or other taxes as may be required to be withheld, pursuant to any applicable law or regulation. Except for such withholding rights, the Executive is solely responsible for any and all tax liability that may arise with respect to the compensation provided to them under or pursuant to this Agreement.

6. **TERMINATION OF EMPLOYMENT.** Upon termination of the Executive's employment during the Employment Term, they shall be entitled to the compensation and benefits described in this Section 6 and shall have no further rights to any compensation or any other benefits from the Company or any of its affiliates. The date that the Executive's employment by the Company terminates is referred to as the **"Termination Date."**

6.1 For Cause by Company or Without Good Reason by Executive.

(a) The Executive's employment hereunder may be terminated by the Company For Cause; or by the Executive Without Good Reason upon thirty (30) calendar days written notice by the Executive. In the event of termination by the Executive Without Good Reason, the Company may choose to place the Executive on paid leave for all or part of the 30-day notice period. If the Executive's employment is terminated by the Company For Cause or by the Executive Without Good Reason, the Executive shall be entitled to receive:

(i) any accrued but unpaid Base Salary and any accrued but unused Paid Time-Off, in accordance with Company policy, as of the Termination Date; and

(ii) reimbursement for unreimbursed business expenses properly incurred by the Executive as of the Termination Date, which shall be subject to and paid in accordance with the Company's expense reimbursement policy.

Henceforth, items 6.1(a)(i) through 6.1(a)(ii) shall be referred to collectively as the "**Accrued Amounts**."

(b) For purposes of this Agreement, "**Cause**" shall mean the following, as determined in good faith by the Board:

(i) the Executive's willful failure to perform their duties (other than any such failure resulting from incapacity due to physical or mental illness);

(ii) the Executive's willful failure to comply with any valid and legal directive of the Board;

(iii) the Executive's willful engagement in dishonesty, illegal conduct or gross misconduct, which in each case is materially injurious to the Company or its affiliates;

(iv) the Executive's conviction of or plea of guilty or nolo contendere to a crime that constitutes a felony (or state law equivalent) or a crime that constitutes embezzlement, misappropriation or fraud, or a misdemeanor involving moral turpitude;

(v) the Executive's willful violation of a material policy of the Company, written notice of which shall be provided to the Executive by Company within thirty (30) calendar days of the initial existence of such willful violation and the Executive has had at least thirty (30) calendar days from the date on which such notice is provided to cure such circumstances, but has failed to cure such circumstances;

(vi) the Executive's willful unauthorized disclosure of Confidential Information (as defined below); or

(vii) the Executive's material breach of any material obligation under this Agreement written notice of which shall be provided to the Executive by Company within thirty (30) calendar days of the initial existence of such material breach and the Executive has had at least thirty (30) calendar days from the date on which such notice is provided to cure such circumstances but has failed to cure such circumstances.

(c) For purposes of this provision, no act or failure to act on the part of the Executive shall be considered **"willful"** unless it is done, or omitted to be done, by the Executive in bad faith or without a reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by the Board, or upon the advice of legal counsel for the Company, shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the Company.

(d) For purposes of this Agreement, "**Good Reason**" shall mean the occurrence of any of the following, in each case during the Employment Term, without the Executive's written consent:

(i) a material reduction in the Executive's Base Salary (except as part of an across-the-board salary reduction, applicable in the same manner to all executives, as determined, in its sole discretion, by the Board pursuant to Section 5.1) or Incentive Bonus opportunity,*provided, however*, that it is not Good Reason as to the Incentive Bonus opportunity to the extent that the Board annually or otherwise revises the milestones needed to be met for an Incentive Bonus opportunity, so long as such revisions decrease (but not increase) the milestones needed to be met for an Incentive Bonus opportunity for the current fiscal year;

(ii) any material breach by the Company of any material provision of this Agreement;

(iii) the Company's failure to obtain an agreement from any successor to the Company to assume and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform if no succession had taken place, except where such assumption occurs by operation of law; and

(iv) a material, adverse change in the Executive's title, authority, duties or responsibilities (other than temporarily while the Executive is physically or mentally incapacitated or as required by applicable law).

(e) The Executive cannot terminate their employment for Good Reason unless they have provided written notice to the Company of the existence of the circumstances providing grounds for termination for Good Reason within thirty (30) calendar days of the initial existence of such grounds, and the Company has had at least thirty (30) calendar days from the date on which such notice is provided to cure such circumstances. Upon receipt of the written notice from the Executive, the Company may, in its sole discretion, waive the 30-day cure period and effectuate the Executive's termination for Good Reason immediately upon such waiver. If the Executive does not terminate their employment for Good Reason within ninety (90) calendar days after the first occurrence of the applicable grounds, then the Executive will be deemed to have waived their right to terminate for Good Reason with respect to such grounds.

6.2 Without Cause by Company or for Good Reason by Executive.

The Executive's employment hereunder may be terminated without Cause by Company or for Good Reason by Executive, and in that event, with no less than thirty (30) calendar days written notice by the Company; or by the Executive for Good Reason, in accordance with Sections 6.1(d) and (e).

(a) In the event of termination without Cause or for Good Reason, the Executive shall be entitled to receive the Accrued Amounts.

(b) [Intentionally Omitted.]

(c) In the event of termination without Cause or for Good Reason, in addition to the Accrued Amounts, the Executive shall be entitled to receive:

(i) severance pay **("Severance")** equal to a **flat six (6) months of Executive's annual Base Salary**, less lawfully required withholdings, subject to Section 6.2(e) below; *provided, however,* that Severance payments shall cease if the Executive begins employment with another organization before all Severance payments scheduled to be paid by the Company to the Executive have been paid; and

(ii) if the Executive timely and properly elects and maintains health continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 or applicable state law, the Company will continue to pay the employer share of the premium for such coverage at the same rate it pays for coverage for active employees **("COBRA Continuation Coverage")** for a period of up to twenty-four (24) weeks following the Termination Date.

(d) Payment by the Company of Severance and COBRA Continuation Coverage under Section 6.2 (c) is contingent upon the Executive's compliance with this Agreement and the Executive's execution of a release of claims in favor of the Company, its affiliates and their respective officers and directors, in a form provided by the Company and currently expected to be substantially similar to the document annexed to this Agreement as **EXHIBIT A (GENERAL RELEASE AND COVENANT NOT TO SUE)**, hereinafter referred to as the "**Release Agreement**", and such Release Agreement shall become effective in accordance with Section 6.5 below.

(e) Severance shall be subject to applicable withholding and deductions, and paid in accordance with the Company's normal payroll practices in effect at that time, but no less frequently than monthly, which shall begin within fourteen (14) calendar days after the date upon which the Release Agreement becomes effective; *provided, however,* that the first installment payment shall include all amounts that would otherwise have been paid to the Executive during the period beginning on the Termination Date, and ending on the first payment date, if no delay had been imposed.

6.3 Death or Disability of Executive.

(a) The Executive's employment hereunder shall terminate automatically upon the Executive's death during the Employment Term, and the Company may terminate the Executive's employment on account of the Executive's Disability.

(b) If the Executive's employment is terminated during the Employment Term on account of the Executive's death or Disability, the Executive (or the Executive's estate and/or beneficiaries, as the case may be) shall be entitled to receive the Accrued Amounts.

(c) For purposes of this Agreement, "**Disability**" shall mean the Executive's inability, due to a physical or mental impairment, to perform the essential functions of their job, with or without reasonable accommodation, lasting more than ninety (90) calendar days within any one hundred and eighty (180) calendar day period, based upon a good faith determination by the Company, unless a longer period is required by federal or state law, in which case that longer period shall apply. However, in the event that the Company temporarily replaces the Executive or transfers the Executive's duties or responsibilities to another individual on account of the Executive's inability to perform such duties due to a mental or physical impairment which is, or is reasonably expected to become, a Disability, then the Executive's employment shall not be deemed terminated by the Company and the Executive shall not be able to resign with Good Reason as a result thereof. Any question as to the existence of the Executive's Disability as to which the Executive and the Company cannot agree shall be determined in writing by a qualified independent physician mutually acceptable to the Executive and the Company. If the Executive and the Company cannot agree as to a qualified independent physician, each shall appoint such a physician and those two (2) physicians shall select a third (3rd) who shall make such determination in writing. The determination of Disability made in writing to the Company and the Executive shall be final and conclusive for all purposes of this Agreement. Any period for vesting shall be tolled and not included during a Disability period.

6.4 Notice of Termination. Any termination of the Executive's employment hereunder by the Company or by the Executive during the Employment Term (other than termination on account of the Executive's death) shall be communicated by written notice of termination ("**Notice of Termination**") to the other party hereto, in accordance with the notice provision of this Agreement. The Notice of Termination shall specify:

(a) The termination provision of this Agreement relied upon;

(b) To the extent applicable, the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated; and

(c) The applicable Termination Date.

6.5 Release Agreement. The Company shall provide to the Executive the full and final form of the Release Agreement in a form substantially similar to the sample in **EXHIBIT A** not later than seven (7) calendar days following the Termination Date. The Executive shall then be required to execute and return the Release Agreement to the Company within twenty-one (21) calendar days (or, alternatively, forty-five (45) calendar days, if such longer period of time is required to make the Release Agreement maximally enforceable under applicable law) after the Company provides the full and final form of the Release Agreement to the Executive, and the Release Agreement must not be revoked by Executive within the seven (7) day revocation period, which shall be set forth in the full and final form of the Release Agreement. The Release Agreement shall not become effective, and no Severance or COBRA Continuation Coverage will be provided, until the seven-day revocation period expires without the Release Agreement having been revoked by the Executive.

6.6 Other Definitions.

(a) As used herein, the term "Person" shall be construed broadly and shall include, without limitation, an individual, a partnership, a limited liability company, a corporation, an association, a joint stock or joint share company, a trust, a joint venture, an unincorporated organization and a governmental entity or any department, agency or political subdivision thereof.

(b) As used herein, a **"Separation from Service"** means, either (a) termination of Executive's employment with the Company, or (b) a permanent reduction in the level of bona fide services Executive provides to Company to an amount that is twenty (20%) percent or less of the average level of bona fide services Executive provided to Company in the immediately preceding 36-months, with the level of bona fide service calculated in accordance with Treasury Regulations Section 1.409A-1(h)(1)(ii). Solely for purposes of determining whether Executive has a "Separation from Service," Executive's employment relationship is treated as continuing, and not a "Separation from Service," while Executive is on military leave, sick leave, or other bona fide leave of absence (if the period of such leave does not exceed six-months, or if longer, so long as Executive's right to reemployment with the Company is provided either by statute or contract). If Executive's period of leave exceeds six-months and Executive's right to reemployment is not provided either by statute or contract, the employment relationship is deemed to terminate on the first (1st) day immediately following the expiration of such six-month leave period.

6.8 Resignation of All Other Positions. Upon termination of the Executive's employment hereunder for any reason, the Executive agrees to resign, and shall be deemed to have in fact resigned, effective on the Termination Date, from all positions that the Executive holds as an employee, officer, or member of the Board (or a committee thereof) of the Company or any of its affiliates.

7. **CONFIDENTIAL INFORMATION.** The Executive understands and acknowledges that during the Employment Term, they will have access to and learn about Confidential Information, as defined below.

7.1 Definition of Confidential Information. For purposes of this Agreement, "**Confidential Information**" includes, but is not limited to, all information not generally known to the public, in spoken, printed, electronic or any other form or medium, relating directly or indirectly to: business processes, practices, methods, policies, plans, publications, documents, research, operations, services, strategies, techniques, agreements, contracts, terms of agreements, transactions, potential transactions, negotiations, pending negotiations, know-how, trade secrets, computer programs, computer software, applications, operating systems, software design, web design, work-in-process, databases, manuals, records, articles, systems, material, sources of material, supplier information, vendor information, financial information, results, analyses, accounting information, accounting records, legal information, marketing information, advertising information, pricing information, credit information, design information, payroll information, staffing information, personnel information, Executive lists, supplier lists, vendor lists, developments, reports, internal controls, security procedures, graphics, drawings, photographs, sketches, market studies, sales information, revenue, costs, formulae, notes, communications, algorithms, product plans, designs, styles, models, ideas, audiovisual programs, inventions, unpublished patent applications, original works of authorship, discoveries, inventions, devices, new developments, product roadmaps, experimental processes, experimental results, specifications, customer information, customer lists, client information, client lists, manufacturing information, factory lists, databases, flow charts, distributor lists, and buyer lists of the Company Group or its businesses or any existing or prospective customer, supplier, investor or other associated third party, or of any other person or entity that has entrusted information to the Company Group in confidence. The term "**Company Group**" shall mean, for purposes of this Agreement, the Company and its parent companies, affiliates, subsidiaries, partners, and limited partners.

(a) The Executive understands that the above list is not exhaustive, and that Confidential Information also includes other information that is marked or otherwise identified as confidential or proprietary, or that would otherwise appear to a reasonable person to be confidential or proprietary in the context and circumstances in which the information is known or used.

(b) The Executive understands and agrees that Confidential Information includes information developed by them (i.e., their Work Product) in the course of their employment by the Company as if the Company furnished the same Confidential Information to the Executive in the first instance. Confidential Information shall not include information that is generally available to and known by the public at the time of disclosure to the Executive; provided that, such knowledge of the public is through no direct or indirect fault of the Executive or person(s) acting on the Executive's behalf.

7.2 Definition of Work Product. For purposes of this Agreement, **"Work Product"** means all inventions, innovations, improvements, technical information, systems, software developments, methods, designs, analyses, drawings, reports, service marks, trademarks, trade names, logos and all similar or related information (whether patentable or unpatentable, copyrightable, registerable as a trademark, reduced to writing, or otherwise) which relates to the Company Group's actual or anticipated business, research and development, or existing or future products or services, and which are conceived, developed or made by the Executive (whether or not during usual business hours, whether or not by the use of the facilities of the Company or any of its affiliates, and whether or not alone or in conjunction with any other person) while employed by the Company Group (including those conceived, developed or made prior to the Effective Date) together with all patent applications, letters patent, trademark, trade name and service mark applications or registrations, copyrights and reissues thereof that may be granted for or upon any of the foregoing. All Work Product that the Executive may have discovered, invented or originated during their employment by the Company Group prior to the Effective Date, that they may discover, invent or originate during the Employment Term, shall be the exclusive property of the Company Group, as applicable, and Executive hereby assigns all of Executive's right, title and interest in and to such Work Product to the Company Group, including all intellectual property rights therein. Executive shall promptly disclose all Work Product to the Company, shall execute at the request of the Company any assignments or other documents the Company may deem necessary to protect or perfect its (or any of its affiliates', as applicable) rights therein, and shall assist the Company, at the Company's expense, in obtaining, defending and enforcing the Company's (or any of its affiliates', as applicable) rights therein. The Executive hereby appoints the Company as their attorney-in-fact to execute on their behalf any assignments or other documents deemed necessary by the Company to protect or perfect the Company, the Company Group's rights to any Work Product.

7.3 Company Creation and Use of Confidential Information The Executive understands and acknowledges that the Company has invested, and continues to invest, substantial time, money, and specialized knowledge into developing its resources, creating a customer base, generating customer and potential customer lists, training its Executives, and improving its offerings in the field of real estate investment management. The Executive understands and acknowledges that as a result of these efforts, the Company has created, and continues to use and create Confidential Information. This Confidential Information provides the Company with a competitive advantage over others in the marketplace.

7.4 Disclosure and Use Restrictions The Executive agrees and covenants: (i) to treat all Confidential Information as strictly confidential; (ii) not to directly or indirectly disclose, publish, communicate, or make available Confidential Information, or allow it to be disclosed, published, communicated, or made available, in whole or part, to any entity or person whatsoever (including other Executives of the Company Group) not having a need to know and authority to know and use the Confidential Information in connection with the business of the Company Group and, in any event, not to anyone outside of the direct employ of the Company Group except as required in the performance of the Executive's authorized employment duties to the Company or with the prior consent of a majority of the Board in each instance (and then, such disclosure shall be made only within the limits and to the extent of such duties or consent); (iii) not to access or use any Confidential Information, and not to copy any documents, records, files, media, or other resources containing any Confidential Information, or remove any such documents, records, files, media, or other resources from the premises or control of the Company Group, except as required in the performance of the Executive's authorized employment duties to the Company or with the prior consent of the Board. in each instance (and then, such disclosure shall be made only within the limits and to the extent of such duties or consent); and (iv) The Executive shall deliver to the Company at the termination of the Employment Term, or at any time the Company may request, all memoranda, notes, plans, records, reports, computer tapes and software and other documents and data (and copies thereof) relating to the Confidential Information or the Work Product (as hereinafter defined) of the business of the Company Group, which the Executive may then possess or have under their control. Nothing herein shall be construed to prevent disclosure of Confidential Information as may be required by applicable law or regulation, including commercial, labor, wage and hour, employment law and other business law matters, or pursuant to a valid order or subpoena of a court of competent jurisdiction or an authorized government agency, provided that the disclosure does not exceed the extent of disclosure required by such law, regulation, or order, and provided that the Executive uses reasonable efforts to give the Company notice of its disclosure so that the Company at its own expense can seek to avoid or narrow the disclosure required.

7.5 Notice of Immunity Under the Economic Espionage Act of 1996, as amended by the Defend Trade Secrets Act of 2016 ("DTSA"). Notwithstanding any other provision of this Agreement:

(a) The Executive will not be held criminally or civilly liable under any federal or state trade secret law for any disclosure of a trade secret that:

(i) is made (1) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (2) solely for the purpose of reporting or investigating a suspected violation of law; or

(ii) is made in a complaint or other document filed under seal in a lawsuit or other proceeding.

(b) If the Executive files a lawsuit for retaliation by the Company for reporting a suspected violation of law, the Executive may disclose the Company's trade secrets to the Executive's attorney and use the trade secret information in the court proceeding if the Executive:

(i) files any document containing trade secrets under seal; and

(ii) does not disclose trade secrets, except pursuant to court order.

8. **RESTRICTION ON COMPETITION.** [Intentionally Omitted]

9. **NON-INTERFERENCE WITH CUSTOMERS.** During the Employment Term and **for a period of twelve (12) months after the Termination Date**, the Executive will not, directly or indirectly through any other Person, influence or attempt to influence customers, vendors, suppliers, licensors, lessors, joint venturers, associates, consultants, agents, or partners of the Company or any Affiliate of the Company to divert their business away from the Company or such affiliate, and the Executive will not otherwise interfere with, disrupt or attempt to disrupt the business relationships, contractual or otherwise, between the Company or any affiliate of the Company, on the one hand, and any of its or their customers, suppliers, vendors, lessors, licensors, joint venturers, associates, officers, executives, consultants, managers, partners, members or investors, on the other hand.

10. **NON-SOLICITATION OF EXECUTIVES AND CONSULTANTS.** During the Employment Term and **for a period of twelve (12) months after the Termination Date**, the Executive will not, directly or indirectly through any other Person, solicit, induce or encourage, or attempt to solicit, induce or encourage, any executive or independent contractor of the Company or any affiliate of the Company to leave the employ or service of the Company or any affiliate of the Company, as applicable; or become employed or engaged by any third party, or in any way interfere with the relationship between the Company or any such affiliate, on the one hand, and any Executive or independent contractor thereof, on the other hand.

11. **UNDERSTANDING OF COVENANTS.** The Executive acknowledges that, in the course of their employment with the Company and/or its affiliates and their predecessors, they will become familiar with the Company's and its affiliates' and their predecessors' trade secrets and with other confidential and proprietary information concerning the Company, its affiliates and their respective predecessors, and that Executive's services have been and will be of special, unique and extraordinary value to the Company and its affiliates. The Executive agrees that the foregoing covenants set forth in Sections 7, 8, 9, and 10 (together, the **"Restrictive Covenants")** are reasonable and necessary to protect the Company's and its affiliates' trade secrets and other confidential and proprietary information, good will, stable workforce, and customer relations. Without limiting the generality of the Executive's agreement with the preceding paragraph, the Executive (i) represents that they are familiar with and have carefully considered the Restrictive Covenants, (ii) represents that they are fully aware of their obligations hereunder, (iii) agrees to the reasonableness of the length of time, scope and geographic coverage, as applicable, of the Restrictive Covenants, (iv) agrees that the Company and its affiliates currently conduct business throughout the continental United States and Canada, and (v) agrees that the Restrictive Covenants will continue in effect for the applicable periods set forth above, regardless of whether the Executive is then entitled to receive severance pay or benefits from the Company. The Executive understands that the Restrictive Covenants may limit their ability to earn a livelihood in a business similar to the business of the Company and any of its affiliates, for a short period of time, but they nevertheless believe that they have received and will receive sufficient consideration and other benefits as an Executive of the Company and as otherwise provided hereunder, to clearly justify such restrictions which, in any event (given their education, skills and ability), the Executive does not believe would prevent them from otherwise earning a living. The Executive agrees that the Restrictive Covenants do not confer a benefit upon the Company disproportionate to the detriment of the Executive.

12. **REMEDIES FOR BREACH.** The Executive agrees that any breach of the Restrictive Covenants would cause irreparable damage to the Company. The Executive therefore agrees that the Company, in addition and not in the alternative to any other remedies available to it, shall be entitled to preliminary

and permanent injunctive relief against any breach or threatened breach by the Executive of any of the Restrictive Covenants, without having to post bond or prove actual damages, together with an award of its reasonable attorneys' fees incurred in enforcing its rights hereunder. The Company may elect to seek one or more of these remedies at its sole discretion on a case-by-case basis. Failure to seek any or all remedies in one case does not restrict the Company from seeking any remedies in another situation. Such action by the Company shall not constitute a waiver of any of its rights. Notwithstanding anything contained in Section 16, an action for injunctive relief and/or damages for a violation or prospective violation of the Restrictive Covenants may be brought in the courts of the State of Arizona, and the parties expressly assent to the subject matter and personal jurisdiction of such courts.

13. **CLAWBACK.** Subject to the Company's discretion, the Executive may, to the extent permitted by applicable law, be required to reimburse or have cancelled any Incentive Bonus or Equity Award where all of the following factors are present: (A) Incentive Bonus and/or Equity Award was predicated on achieving certain financial results that were subsequently the subject of a material restatement; (B) the Company determines that the Executive engaged in fraud or intentional misconduct that was a substantial contributing cause for the need to issue a restatement; and (C) a lower Incentive Bonus and/or equity Award would have been made to the Executive, based on the restated financial results. In each instance set forth above, the Company shall seek to recover the Executive's entire Incentive Bonus and/or Equity Award, including the gain from any such award received by the Executive within the relevant period, plus a reasonable rate of interest.

14. **COOPERATION.** The parties agree that certain matters in which the Executive will be involved during the Employment Term may necessitate the Executive's cooperation in the future. Accordingly, following the termination of the Executive's employment for any reason, to the extent reasonably requested by the Company, the Executive shall cooperate with the Company in connection with matters arising out of the Executive's service to the Company; provided that, the Company shall make reasonable efforts to minimize disruption of the Executive's other activities. The Company shall reimburse the Executive for reasonable expenses incurred in connection with such cooperation and, to the extent that the Executive is required to spend substantial time on such matters, the Company shall compensate the Executive at an hourly rate based on the Executive's Base Salary on the Termination Date, with a four (4)-hour minimum daily amount.

15. **INDEMNIFICATION.** To the fullest extent permitted by law, and in accordance with the Company's bylaws, policies, and insurance policies, the Executive shall be entitled to indemnification and defense from the Company with respect to Executive's employment under this Agreement.

16. **ARBITRATION.**

16.1 Except as provided in Section 12 above, any non-time barred, legally actionable controversy or claim arising out of or relating to this Agreement, its enforcement, arbitrability or interpretation, or because of an alleged breach, default, or misrepresentation in connection with any of its provisions, or any other non-time barred, legally actionable controversy or claim arising out of or relating to the Executive's employment or association with the Company or termination of the same, including, without limiting the generality of the foregoing, any alleged violation of state or federal statute, common law or constitution, shall be submitted to individual, final and binding arbitration, to be held in Maricopa County, Arizona, before a single arbitrator selected from Judicial Arbitration and Mediation Services, Inc. ("JAMS"), in accordance with the then-current JAMS

Arbitration Rules and Procedures for employment disputes, as modified by the terms and conditions in this Section (which may be found at www.jamsadr.com under the Rules/Clauses tab). The parties will select the arbitrator by mutual agreement or, if the parties cannot agree, then by striking from a list of qualified arbitrators supplied by JAMS from their labor and employment law panel. Final resolution of any dispute through arbitration may include any remedy or relief that is provided for through any applicable state or federal statutes, or common law. Statutes of limitations shall be the same as would be applicable were the action to be brought in court. The arbitrator selected pursuant to this Agreement may order such discovery as is necessary for a full and fair exploration of the issues and dispute, consistent with the expedited nature of arbitration. At the conclusion of the arbitration, the arbitrator shall issue a written decision that sets forth the essential findings and conclusions upon which the arbitrator's award or decision is based. Any award or relief granted by the arbitrator under this Agreement shall be final and binding on the parties to this Agreement and may be enforced by any court of competent jurisdiction. The Company will pay those arbitration costs that are unique to arbitration, including the arbitrator's fee (recognizing that each side bears its own deposition, witness, expert and attorneys' fees and other expenses to the same extent as if the matter were being heard in court). If, however, any party prevails on a statutory claim, which affords the prevailing party attorneys' fees and costs, then the arbitrator may award reasonable fees and costs to the prevailing party. The arbitrator may not award attorneys' fees to a party that would not otherwise be entitled to such an award under the applicable statute. The arbitrator shall resolve any dispute as to the reasonableness of any fee or cost. Except as expressly provided in this Agreement, the parties acknowledge and agree that they are hereby waiving any rights to trial by jury or a court in any action or proceeding brought by either of the parties against the other in connection with any matter whatsoever arising out of or in any way connected with this Agreement or the Executive's employment.

_____By initialing here, the Executive acknowledges that they have read this paragraph and agrees with the arbitration provision herein.

16.2 This Agreement to arbitrate is freely negotiated between Executive and Employer and is mutually entered into between the parties. Each party fully understands and agrees that they are giving up certain rights otherwise afforded to them by civil court actions, including but not limited to the right to a jury trial.

17. **SECURITY.**

17.1 Security and Access. The Executive agrees and covenants to (a) comply with all Company security policies and procedures as in force from time to time, including without limitation those regarding computer equipment, telephone systems, voicemail systems, facilities access, monitoring, key cards, access codes, Company intranet, internet, social media and instant messaging systems, computer systems, e-mail systems, computer networks, document storage systems, software, data security, encryption, firewalls, passwords and any and all other Company facilities, IT resources and communication technologies ("**Facilities and Information Technology Resources**"); as well as (b) not access or use any Facilities and Information Technology Resources, except as authorized by the Company; and (iii) not access or use any Facilities and Information Technology Resources in any manner after the termination of the Executive's employment by the Company, whether termination is voluntary or involuntary. The Executive agrees to notify the Company promptly in the event they learn of any violation of the foregoing by others, or of any other misappropriation or unauthorized access, use, reproduction, or reverse engineering of, or tampering with any Facilities and Information Technology Resources or other Company property or materials by others.

17.2 Exit Obligations. Upon (a) voluntary or involuntary termination of the Executive's employment or (b) the Company's request at any time during the Executive's employment, the Executive shall (i) provide or return to the Company any and all Company property, including keys, key cards, access cards, identification cards, security devices, employer credit cards, network access devices, computers, cell phones, smartphones, PDAs, pagers, fax machines, equipment, speakers, webcams, manuals, reports, files, books, compilations, work product, e-mail messages, recordings, tapes, disks, thumb drives or other removable information storage devices, hard drives, negatives and data and all Company documents and materials belonging to the Company and stored in any fashion, including but not limited to those that constitute or contain any Confidential Information or Work Product, that are in the possession or control of the Executive, whether they were provided to the Executive by the Company or any of its business associates or created by the Executive in connection with their employment by the Company; and (ii) delete or destroy all copies of any such documents and materials not returned to the Company that remain in the Executive's possession or control, including those stored on any non-Company devices, networks, storage locations, and media in the Executive's possession or control.

18. **PUBLICITY.** The Executive hereby irrevocably consents to any and all uses and displays, by the Company and its agents, representatives and licensees, of the Executive's name, voice, likeness, image, appearance, and biographical information in, on or in connection with any pictures, photographs, audio and video recordings, digital images, websites, television programs and advertising, other advertising and publicity, sales and marketing brochures, books, magazines, other publications, CDs, DVDs, tapes, and all other printed and electronic forms and media throughout the world, at any time during the Employment Term for all legitimate commercial and business purposes of the Company ("**Permitted Uses**") without further consent from or royalty, payment, or other compensation to the Executive during Executive's Employment Term. The Executive hereby forever waives and releases the Company and its directors, officers, Executives, and agents from any and all claims, actions, damages, losses, costs, expenses, and liability of any kind, arising under any legal or equitable theory whatsoever at any time during the Employment Term, arising directly or indirectly from the Company's and its agents', representatives', and licensees' exercise of their rights in connection with any Permitted Uses. After Executive's employment ends, any Permitted Uses will require the Executive's prior written approval, which may be given or withheld in the Executive's sole discretion.

19. **NON-DISPARAGEMENT.** Executive agrees, during the Employment Term and thereafter, not to criticize, ridicule or make any statement, written or oral, which disparages or is derogatory of the Company or any of its affiliates, officers, directors, shareholders, representatives, agents, employees, suppliers or customers. The Company shall instruct its officers, directors, and executive team that, during the Employment Term and thereafter, they are prohibited from making any public statements, written or oral, or cause or encourage others to make any public statements, written or oral, that defame, disparage or in any way criticize the personal or business reputation, practices, or conduct of Executive.

20. **GOVERNING LAW.**This Agreement, for all purposes, shall be construed in accordance with the laws of Massachusetts, (given that the Executive shall spend significant time performing work out of the

Company's Cambridge, MA office), without regard to conflicts of law principles, except for the arbitration provisions which shall be governed solely by the Federal Arbitration Act, 9 U.S.C. §§ 1-4.

21. **MODIFICATION AND WAIVER.** Except by a court in accordance with Section 22 below, no provision of this Agreement may be amended or modified (in whole or in part), unless such amendment or modification is agreed to in writing and signed by the Executive and by the Company. No waiver by either of the parties of any breach by the other party hereto of any condition or provision of this Agreement to be performed by the other party hereto shall be deemed a waiver of any similar or dissimilar provision or condition at the same or any prior or subsequent time, nor shall the failure of or delay by either of the parties in exercising any right, power, or privilege hereunder operate as a waiver thereof to preclude any other or further exercise thereof or the exercise of any other such right, power, or privilege.

22. **SEVERABILITY.**

22.1 Should any provision of this Agreement be held by a court of competent jurisdiction to be enforceable only if modified, or if any portion of this Agreement shall be held as unenforceable and thus stricken, such holding shall not affect the validity of the remainder of this Agreement, the balance of which shall continue to be binding upon the parties with any such modification to become a part hereof and treated as though originally set forth in this Agreement.

22.2 The parties further agree that any such court is expressly authorized to modify any such unenforceable provision of this Agreement in lieu of severing such unenforceable provision from this Agreement in its entirety, whether by rewriting the offending provision, deleting any or all of the offending provision, adding additional language to this Agreement, or by making such other modifications as it deems warranted to carry out the intent and agreement of the parties as embodied herein to the maximum extent permitted by law.

22.3 The parties expressly agree that this Agreement as so modified by the court shall be binding upon and enforceable against each of them. In any event, should one or more of the provisions of this Agreement be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provisions hereof, and if such provision or provisions are not modified as provided above, this Agreement shall be construed as if such invalid, illegal, or unenforceable provisions had not been set forth herein.

22.4 Notwithstanding the foregoing, if any provision of this Agreement could be more narrowly drawn (as to geographic scope, period of duration or otherwise) so as not to be invalid, prohibited or unenforceable in such jurisdiction, it shall, as to such jurisdiction, be so narrowly drawn, without invalidating the remaining provisions of this Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

23. **CAPTIONS AND SECTION HEADINGS.** Captions, section headings and titles of paragraphs and subparagraphs contained in this Agreement are for the purpose of convenience only, and they neither form a part of this Agreement nor are they to be used in the construction or interpretation thereof.

24. **COUNTERPARTS.** This Agreement may be executed in any number of counterparts, each of which shall be deemed an original as against any party whose signature appears thereon, and all of which

together shall constitute one and the same instrument. This Agreement shall become binding when one or more counterparts hereof, individually or taken together, shall bear the signatures of all of the parties reflected hereon as signatories. Photographic copies of such signed counterparts may be used in lieu of the originals for any purpose.

25. **SECTION 409A (NONQUALIFIED DEFERRED COMPENSATION).**

25.1 General Compliance. This Agreement is intended to comply with Internal Revenue Code Section 409A or an exemption thereunder and shall be construed and administered in accordance with Section 409A, (which applies to compensation that an employee earns in one year, but that is paid in a future year, and referred to as "nonqualified deferred compensation," and if nonqualified deferred compensation meets the requirements of Section 409A, then there is no effect on the employee's taxes, and the compensation is taxed in the same manner as it would be taxed if it were not covered by Section 409A; however, if the nonqualified deferred compensation does not meet the requirements of Section 409A, the compensation is subject to certain additional taxes, including a 20% additional income tax.) Notwithstanding any other provision of this Agreement, payments provided under this Agreement may only be made upon an event and in a manner that complies with Section 409A or an applicable exemption. Any payments under this Agreement that may be excluded from Section 409A, either as separation pay due to an involuntary separation from service or as a short-term deferral, shall be excluded from Section 409A to the maximum extent possible. For purposes of Section 409A, each installment payment provided under this Agreement shall be treated as a separate payment. Any payments to be made under this Agreement upon a termination of employment shall only be made upon a "Separation from Service" under Section 409A, as defined in Section 6.6(b) above. Notwithstanding the foregoing, and the Company's intent to comply with Section 409A, the Company makes no representations that the payments and benefits provided under this Agreement comply with Section 409A, and in no event shall the Company be liable for all or any portion of any taxes, penalties, interest or other expenses that may be incurred by the Executive on account of noncompliance with Section 409A.

25.2 Specified Executives. Notwithstanding any other provision of this Agreement, if any payment or benefit provided to the Executive in connection with their termination of employment is determined to constitute "nonqualified deferred compensation," within the meaning of Section 409A, and the Executive is determined to be a "specified Executive," as defined in Section 409A(a)(2)(b)(i), then such payment or benefit shall not be paid until the first payroll date to occur following the six-month anniversary of the Termination Date or, if earlier, on the Executive's death (the "**Specified Executive Payment Date**"). The aggregate of any payments that would otherwise have been paid before the Specified Executive Payment Date, and interest on such amounts, calculated based on the applicable federal rate published by the Internal Revenue Service for the month in which the Executive's separation from service occurs, shall be paid to the Executive in a lump sum on the Specified Executive Payment Date, and, thereafter, any remaining payments shall be paid without delay, in accordance with their original schedule.

25.3 Reimbursements. To the extent required by Section 409A, each reimbursement or in-kind benefit provided under this Agreement shall be provided in accordance with the following:

(a) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during each calendar year cannot affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year;

(b) any reimbursement of an eligible expense shall be paid to the Executive on or before the last day of the calendar year, following the calendar year in which the expense was incurred; and

(c) any right to reimbursements or in-kind benefits under this Agreement shall not be subject to liquidation or exchange for another benefit.

26. **SUCCESSORS AND ASSIGNS.** This Agreement is personal to the Executive and shall not be assigned by the Executive. Any purported assignment by the Executive shall be null and void from the initial date of the purported assignment. The Company may assign this Agreement to any successor or assign (whether direct or indirect, by purchase, merger, consolidation, or otherwise) to all or substantially all of the business or assets of the Company. This Agreement shall inure to the benefit of the Company and permitted successors and assigns. Without limiting the generality of the preceding sentences, the Company will require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business and/or assets of the Company to assume expressly and agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place. As used in this Agreement, "Company" shall mean the Company as hereinbefore defined and any successor or assignee, as applicable, which assumes and agrees to perform this Agreement by operation of law or otherwise.

27. **NOTICE.**Notices and all other communications provided for in this Agreement shall be in writing and shall be delivered personally, transmitted via electronic mail, mailed by first class mail (postage prepaid and return receipt requested), or sent by reputable overnight courier service (charges prepaid), to the recipient at the address below indicated or at such other address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party. Notices will be deemed to have been given hereunder and received when delivered personally, when received if transmitted via electronic mail, five (5) days after deposit in the U.S. mail, and one (1) day after deposit with a reputable overnight courier service.

If to the Company:
TILT Holdings, Inc.
2801 E Camelback Rd Suite 180
Phoenix, AZ 85016
Attention: General Counsel
Email: legal@tiltholdings.com

If to the Executive:
(or to Executive's address currently on file with payroll records)

28. **SURVIVAL.** Upon the expiration or other termination of this Agreement, the respective rights and obligations of the parties hereto shall survive such expiration or other termination to the extent necessary to carry out the intentions of the parties under this Agreement.

29. **ACKNOWLEDGEMENT OF FULL UNDERSTANDING.** THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT THEY HAVE FULLY READ, UNDERSTANDS AND VOLUNTARILY ENTERS INTO THIS AGREEMENT. THE EXECUTIVE ACKNOWLEDGES AND AGREES THAT THEY HAVE HAD AN OPPORTUNITY TO ASK QUESTIONS AND CONSULT WITH AN ATTORNEY OF THEIR CHOICE BEFORE SIGNING THIS AGREEMENT.

30. **ENTIRE AGREEMENT.** Unless specifically provided herein, this Agreement contains all of the understandings and representations between the Executive and the Company pertaining to the subject matter hereof and supersedes all prior and contemporaneous understandings, agreements, representations and warranties, both written and oral, including without limitation the Prior Employment Agreement, with respect to such subject matter. Any prior negotiations, correspondence, agreements, proposals or understandings relating to the subject matter hereof shall be deemed to have been merged into this Agreement, and to the extent inconsistent herewith, such negotiations, correspondence, agreements, proposals, or understandings shall be deemed to be of no force or effect. The parties mutually agree that the Agreement can be specifically enforced in court and can be cited as evidence in legal proceedings alleging breach of the Agreement.

(The remainder of this page is intentionally left blank. The signature page is below.)

IN WITNESS WHEREOF, the parties have executed and delivered this Agreement as of the date first above written.

MARK HIGGINS ("Executive")

By: Mark Higgins

Signature: /s/ Mark Higgins

TILT HOLDINGS INC., a British Columbia corporation ("Company")

By: Gary F. Santo, Jr.

Title: Chief Executive Officer

Signature: /s/ Gary F. Santo, Jr.

EXHIBIT A

GENERAL RELEASE AND COVENANT NOT TO SUE

TO WHOM IT MAY CONCERN:

1. **Mark Higgins ("Executive")**, on Executive's own behalf and on behalf of Executive's descendants, dependents, heirs, executors and administrators and permitted assigns, past and present, in consideration for the amounts payable and benefits to be provided to Executive under that employment agreement dated as of [date], and effective as of [date] (the "Employment Agreement") by and between Executive and **TILT HOLDINGS INC. ("Company")**, does hereby covenant not to sue or pursue any litigation or arbitration against, and waives, releases and discharges the Company, its assigns, affiliates, subsidiaries, parents, predecessors and successors, and the past and present executives, officers, directors, representatives and agents of any of them, including but not limited to the Company (**collectively, the "Releasees"**), from any and all claims, demands, rights, judgments, defenses, actions, charges or causes of action whatsoever, of any and every kind and description, whether known or unknown, accrued or not accrued, that Executive ever had, now has or shall or may have or assert as of the date of this General Release and Covenant Not to Sue against the Releasees relating to their employment with the Company or the termination thereof or their service as an officer or director of any subsidiary or affiliate of the Company or the termination of such service, including, without limiting the generality of the foregoing, any claims, demands, rights, judgments, defenses, actions, charges or causes of action related to employment or termination of employment or that arise out of or relate in any way to the Age Discrimination in Employment Act of 1967 ("ADEA," a law that prohibits discrimination on the basis of age), the National Labor Relations Act, the Civil Rights Act of 1991, the Americans With Disabilities Act of 1990, Title VII of the Civil Rights Act of 1964, the Executive Retirement Income Security Act of 1974, the Family and Medical Leave Act of 1993, the Sarbanes-Oxley Act of 2002, the Massachusetts Wage Act, all as amended, and other federal, state and local laws relating to discrimination on the basis of age, sex or other protected class, all claims under Federal, state or local laws for express or implied breach of contract, wrongful discharge, defamation, intentional infliction of emotional distress, and any related claims for attorneys' fees and costs; *provided, however*, that nothing herein shall release the Company from any of its obligations to Executive under the Employment Agreement (including, without limitation, its obligation to pay the amounts and provide the benefits upon which this General Release and Covenant Not to Sue is conditioned) or any rights Executive may have to indemnification under any charter or by-laws (or similar documents) of any member of the Releasees or any insurance coverage under any directors and officers insurance or similar policies.

2. Executive further agrees that their General Release and Covenant Not to Sue may be pleaded as a full defense to any action, suit or other proceeding covered by the terms hereof that is or may be initiated, prosecuted or maintained by Executive or Executive's heirs or assigns. Executive understands and confirms that Executive is executing this General Release and Covenant Not to Sue voluntarily and knowingly, but that this General Release and Covenant Not to Sue does not affect Executive's right to claim otherwise under ADEA. In addition, Executive shall not be precluded by this General Release and Covenant Not to Sue from filing a charge with any relevant federal, state or local administrative agency, but Executive agrees to waive Executive's rights with respect to any monetary or other financial relief arising from any such administrative proceeding.

3. In furtherance of the agreements set forth above, Executive hereby expressly waives and relinquishes any and all rights under any applicable statute, doctrine or principle of law restricting the right of any person to release claims that such person does not know or suspect to exist at the time of executing a release, which claims, if known, may have materially affected such person's decision to give such a release. In connection with such waiver and relinquishment, Executive acknowledges that Executive is aware that Executive may hereafter discover claims presently unknown or unsuspected, or facts in addition to or different from those that Executive now knows or believes to be true, with respect to the matters released herein. Nevertheless, it is the intention of Executive to release all such matters fully, finally and forever, and all claims relating thereto, that now exist, may exist or theretofore have existed, as specifically provided herein. The parties hereto acknowledge and agree that this waiver shall be an essential and material term of the release contained above. Nothing in this paragraph is intended to expand the scope of the release as specified herein.

4. Executive agrees that at any time following the date hereof they will not make, endorse or solicit and shall use all reasonable endeavors to prevent the making, endorsing or soliciting of any disparaging or derogatory statements whether or not the statements are true, whether in writing or otherwise concerning the Company or its past or current directors or officers and the Company undertakes that at any time following the date hereof its senior executives will not make, endorse or solicit and shall use all reasonable endeavors to prevent the making, endorsing or soliciting of any disparaging or derogatory statements whether or not the statement is true, whether in writing or otherwise concerning the Executive or Executive's work on behalf of the Company, excluding in all events any statements required to be made by law, regulation or under the public disclosure requirements of any jurisdiction. Nothing herein shall prevent Executive from making a report, or bringing a claim, to any governmental agency, including the U.S. Equal Employment Opportunity Commission, the National Labor Relations Board, the U.S. Department of Justice, or the Attorney General of the State where the Executive resides;*provided, however*, that Executive may not personally win any damages or other relief as a result of any such reports or claims. Nothing herein shall restrict the Company, its affiliates or any of their Executives, officers, directors, agents or representatives from providing truthful testimony or information in response to a subpoena or investigation by a Governmental Authority or in connection with any legal action by the Company or any of their affiliates

5. Executive represents and covenants that they have returned to the to the Company (a) all physical, computerized, electronic or other types of records, documents, proposals, notes, lists, files and any and all other materials, including computerized electronic information, that refer, relate or otherwise pertain to the Company or any of its affiliates (as defined in the Employment Agreement) that were in Executive's possession, subject to Executive's control or held by Executive for others; and (b) all property or equipment that Executive has been issued by the Company or any of its affiliates during the course of their employment or property or equipment that Executive otherwise possessed, including any keys, credit cards, office or telephone equipment, computers (and any software, power cords, manuals, computer bag and other equipment that was provided to Executive with any such computers), tablets, smartphones, and other devices. Executive acknowledges that they are not authorized to retain any physical, computerized, electronic or other types of copies of any such physical, computerized, electronic or other types of records, documents, proposals, notes, lists, files or materials, and is not authorized to retain any property or equipment of the Company or any of its affiliates. Executive further agrees that Executive will immediately forward to the Company (and thereafter destroy any electronic copies thereof) any business information relating to the Company or any of its affiliates that has been or is inadvertently directed to Executive following the date of the termination of Executive's employment.

6. For clarity, and as required by law, this General Release and Covenant Not to Sue does not prevent Executive from accepting a whistleblower award from the Securities and Exchange Commission, pursuant to Section 21F of the Securities Exchange Act of 1934, as amended.

7. This General Release and Covenant Not to Suedoes not apply to any obligation of the Company to Executive pursuant to any of the following: (1) the payment of any Base Salary, accrued but unused Paid Time-Off or the dollar value of any Employment Benefits due, pursuant to the Employment Agreement dated as of [date] by and between the Company and Executive (the "Employment Agreement"); (2) any Equity Awards previously granted by the Company to Executive, to the extent that such awards continue after the termination of Executive's employment with the Company, in accordance with the applicable terms of such awards; (3) any right to indemnification that Executive may have pursuant to the Company's bylaws, its corporate charter or under any written indemnification agreement with the Company (or any corresponding provision of any subsidiary or affiliate of the Company) with respect to any loss, damages or expenses (including but not limited to attorneys' fees to the extent otherwise provided) that Executive may in the future incur with respect to their service as an Executive, officer or director of the Company or any of its subsidiaries or affiliates; (4) with respect to any rights that Executive may have to insurance coverage for such losses, damages or expenses under any Company (or subsidiary or affiliate) directors and officers liability insurance policy; (5) any rights to continued medical and dental coverage that Executive may have under COBRA; or (6) any rights to payment of benefits that Executive may have under a retirement plan sponsored or maintained by the Company that is intended to qualify under Section 401(a) of the Internal Revenue Code of 1986, as amended. In addition, this release does not cover any claim that cannot be so released as a matter of applicable law.

8. This General Release and Covenant Not to Sue shall be governed by and construed in accordance with the laws of the State of Arizona, applicable to agreements made and to be performed entirely within such State, without regard to principles of conflicts of laws.

9. <u>To the extent that Executive is forty (40) years of age or older, this paragraph shall apply.</u> Executive acknowledges that Executive has been offered a period of time of at least twenty-one (21) calendar days to consider whether to sign this General Release and Covenant Not to Sue(or, alternatively, forty-five (45) calendar days, if such longer period of time is required to make this General Release and Covenant Not to Sue maximally enforceable under applicable law),which Executive has waived, and the Company agrees that Executive may cancel this General Release and Covenant Not to Sue at any time during the seven (7) calendar days following the date on which this General Release and Covenant Not to Sue has been signed by all parties to this General Release and Covenant Not to Sue. To cancel or revoke this General Release and Covenant Not to Sue, Executive must deliver to the Company written notice stating that Executive is canceling or revoking this General Release and Covenant Not to Sue. Any notice of cancellation or revocation should be sent by Executive in writing to the Company as follows: Attention: General Counsel, 2801 E Camelback Road, Suite – 180, Phoenix, AZ 85016. The writing must be received within the seven-day period following execution of this General Release and Covenant Not to Sueby Executive. If this General Release and Covenant Not to Sue is timely cancelled or revoked, none of the provisions of this General Release and Covenant Not to Sue shall be effective or enforceable, and the Company shall not be obligated to make the payments to Executive or to provide Executive with the other benefits described in the Employment Agreement and known as "Severance," and all contracts and provisions modified, relinquished or rescinded hereunder shall be reinstated to the

extent in effect immediately prior hereto. EXECUTIVE IS HEREBY ADVISED TO SEEK LEGAL COUNSEL PRIOR TO SIGNING THIS GENERAL RELEASE AND COVENANT NOT TO SUE.

10. Executive acknowledges and agrees that Executive has entered this General Release and Covenant Not to Sue knowingly and willingly and has had ample opportunity to consider the terms and provisions of this General Release and Covenant Not to Sue.

IN WITNESS WHEREOF, the undersigned has caused this General Release and Covenant Not to Sue to be executed on this **[x]** day of **[month] 20xx**.

[The signature page for the final form will be placed here.]

AMENDMENT TO EXECUTIVE EMPLOYMENT AGREEMENT

This **AMENDMENT TO EXECUTIVE EMPLOYMENT AGREEMENT** (“**Amendment Agreement**”) is entered by and between TILT Holdings Inc. (the “**Company**”) and Mark Higgins (“**Executive**”) as of December 1, 2022 (“**Effective Date**”). The Company and Executive are collectively referred to herein as “**Parties**” and individually as “**Party**.”

WHEREAS, Executive has been employed by the Company in the position of Deputy General Counsel, pursuant to the Executive Employment Agreement dated September 24, 2021, with effect on September 27, 2021 (“**Agreement**”);

AND WHEREAS, the Parties wish to amend the Agreement in accordance with Section 21 of the Agreement;

NOW THEREFORE, in consideration of the mutual promises herein and for other good and valuable consideration, the receipt and sufficiency of which are accepted, the Parties agree as follows:

1. Parties now collectively desire and agree to amend and replace Section 2 (Employment Term) of the Agreement with the following language:

   “Employment Term. The period during which the Executive is employed by the Company hereunder (the “**Employment Term**”) shall commence on **December 1, 2022**, and continue for a period of **four (4) years** (ending at the close of business on **November 30, 2026**) unless and until terminated in accordance with Section 6 below. This Agreement shall terminate without further action by either party hereto, and no extension of this Agreement is valid except as memorialized in a writing signed by the Executive and the Chief Executive Officer. For the sake of clarity, if the Company or the Executive do not renew the terms of this Agreement or execute a new agreement following the expiration of the Employment Term, the Executive’s employment by the Company following the expiration of the Employment Term shall be on an at-will basis and may be terminated by the Company or by the Executive at any time, for any reason (or for no reason), with or without advance notice.”

2. The Parties now collectively desire and agree to amend and replace Section 6.2(b), Section 6.2(c), and Section 6.2(d) (Without Cause by Company or for Good Reason by Executive) of the Agreement with the following language:

   “(b) In the event of termination without Cause or for Good Reason, in addition to the Accrued Amounts, the Executive shall be entitled to receive:

   (i) Severance equal to a **flat twelve (12) months of Executive’s annual Base Salary**, less lawfully required withholdings, subject to Section 6.2(e) below; *provided, however,* that Severance payments shall cease if the Executive begins employment with another organization before all Severance payments scheduled to be paid by the Company to the Executive have been paid; and

   (ii) COBRA Continuation Coverage for a period of up to **fifty-two (52) weeks** following the Termination Date.”

(c) Payment by the Company of Severance and COBRA Continuation Coverage under Section 6.2(b) and Section 6.2(c) is contingent upon the Executive's compliance with this Agreement and the Executive's execution of a release of claims in favor of the Company, its affiliates and their respective officers and directors, in a form provided by the Company and currently expected to be substantially similar to the document annexed to this Agreement as **EXHIBIT A (GENERAL RELEASE AND COVENANT NOT TO SUE)**, hereinafter referred to as the "**Release Agreement**", and such Release Agreement shall become effective in accordance with Section 6.5 below."

3. The Parties now collectively desire to add Section 6.7 (Change in Control Termination) to the Agreement with the following language:

"6.7 Change in Control Termination.

(a) Notwithstanding any other provision contained herein, in the event of a Change in Control, if the Executive's employment hereunder is terminated by the Executive for Good Reason, or by the Company Without Cause (other than on account of the Executive's death or Disability), in each case within twelve (12) months following a Change in Control, the Executive shall be entitled to receive, subject to the Executive's execution of a Release, in accordance with the terms and conditions herein, the following:

(i) the **Accrued Amounts** (as defined in Section 6.1(a) above);

(ii) **a lump sum Severance payment equal to: (A) a flat eighteen (18) months or 1.5x of Executive's annual Base Salary, plus (B) their full Incentive Bonus for that fiscal year in which the Termination Date occurs**; and

(b) Notwithstanding the terms of any equity plans or any applicable award agreements, Executive shall also be entitled to the payment of:

(i) **in the case of a Change in Control, all stock price conditions from the Equity Awards will be deemed to have been met. If the Equity Awards are equitably assumed by the ongoing corporation based on its value at the Change in Control, vesting will occur in accordance with the original time vesting schedule. If the Executive's employment terminates after the Change in Control due to Termination by the Company Without Cause, Termination by the Executive For Good Reason, or termination as a result of the Executive's death or Disability, any unvested portion of the Equity Awards will vest upon the Termination Date. If the Executive's employment terminates after the Change in Control for any other reason, any unvested portion of the Equity Awards will be forfeited. Notwithstanding the forgoing, if the ongoing corporation does not equitably assume the Equity Awards, vesting will accelerate to the Change in Control date;** *provided, however,* that any delays in the settlement or payment of such awards that are set forth in the applicable Equity Award agreement, and that are required under Section 409A, shall remain in effect; and

(c) The Executive shall also be entitled to:

(i) if the Executive timely and properly elects health continuation coverage under the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"), **partial reimbursement for the monthly health care insurance premiums increase paid by the Executive for themselves and their dependents, calculated as the difference between the amount of monthly health care insurance premiums paid by the Executive pre- and post-COBRA coverage;** ***provided, however*****, that the Executive shall comply with applicable election and eligibility requirements.** The Executive shall be eligible to receive such reimbursement until the earliest of: (i) the eighteen-month anniversary of the Termination Date; (ii) the date the Executive is no longer eligible to receive COBRA continuation coverage; or (iii) the date on which the Executive receives or becomes eligible to receive substantially similar health care coverage from another employer or other source.

(d) For purposes of this Agreement, "**Change in Control**" shall mean the occurrence of any of the following after the Effective Date:

(i) one person (or more than one person acting as a group) acquires ownership of stock of the Company that, together with the stock held by such person or group, constitutes more than fifty percent (50%) of the total voting power of the stock of such corporation; *provided, however*, that a Change in Control shall not occur if any person (or more than one person acting as a group) owns more than fifty percent (50%) of the total voting power of the Company's stock already and simply acquires additional stock;

(ii) one person (or more than one person acting as a group) acquires (or has acquired during the twelve-month period ending on the date of the most recent acquisition) ownership of the Company's stock, who possess over thirty (30%) percent of the total voting power of the stock of that group or corporation; or

(iii) the sale of all or substantially all of the Company's assets.

(iv) Notwithstanding the foregoing, a Change in Control shall not occur unless such transaction constitutes a change in the ownership of the Company, a change in the effective control of the Company, or a change in the ownership of a substantial portion of the Company's assets under Section 409A."

4. All other provisions of the Agreement shall remain unamended and in full force and effect.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the Parties, intending to be legally bound, have caused this Amendment Agreement to be duly executed as of the Effective Date.

TILT HOLDINGS INC.

By: /s/ Gary F. Santo, Jr.
Name: Gary F. Santo, Jr.
Title: Chief Executive Officer

MARK HIGGINS

By: /s/ Mark Higgins

Exhibit 21.1

List of Subsidiaries	**Jurisdiction of Incorporation**
1. Commonwealth Alternative Care, Inc.	Massachusetts
2. Standard Farms LLC	Pennsylvania
3. Standard Farms Ohio, LLC	Ohio
4. Jupiter Research, LLC	Arizona
5. Baker Technologies Inc.	Delaware
6. Sea Hunter Therapeutics, LLC	Delaware
7. JJ Blocker Co.	Delaware
8. Jimmy Jang L.P.	Delaware
9. SFNY Holdings, Inc.	Delaware
11. White Haven RE, LLC	Pennsylvania
12. Jimmy Jang Holdings Inc.	British Columbia
13. SH Therapeutics, LLC	Florida
14. SF Ohio, Inc.	Ohio
15.. SH Realty Holdings, LLC	Delaware
16. SH Realty Holdings-Ohio, LLC	Ohio
17. Sante Veritas Holdings Inc.	British Columbia
18. Sante Veritas Therapeutics Inc.	British Columbia

MGO. | Certified Public Accountants

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (No. 333- 266295) on Form S-8 of TILT Holdings, Inc. of our report dated March 22, 2024, relating to the consolidated financial statements of TILT Holdings, Inc., appearing in this Annual Report on Form 10-K of TILT Holdings, Inc. for the year ended December 31, 2023.

/s/ Macias Gini & O'Connell LLP

San Jose, California
March 22, 2024

Macias Gini & O'Connell LLP
60 South Market Street, Suite 1500
San Jose, CA 95113

www.mgocpa.com

Exhibit 31.1

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Tim Conder, certify that:

1. I have reviewed this Annual Report on Form 10-K of TILT Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 22, 2024

/s/ Tim Conder
Tim Conder
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Brad Hoch, certify that:

1. I have reviewed this Annual Report on Form 10-K of TILT Holdings Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 22, 2024

/s/ Brad Hoch
Brad Hoch
Interim Chief Financial Officer and Chief Accounting Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of TILT Holdings Inc. (the "Company") on Form 10-K for the period ended December 31, 2023, as filed with the Securities and Exchange Commission ("SEC") on the date hereof (the "Report"), each of Tim Conder, Chief Executive Officer of the Company, and Brad Hoch, Interim Chief Financial Officer and Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 22, 2024

/s/ Tim Conder
Tim Conder
Chief Executive Officer
(Principal Executive Officer)

Date: March 22, 2024

/s/ Brad Hoch
Brad Hoch
Interim Chief Financial Officer and Chief Accounting Officer
(Principal Financial Officer)