GLASS HOUSE BRANDS INC.

FORM 40-F
(Annual Report (foreign private issuer))

Filed 03/25/25 for the Period Ending 12/31/24

Address	3645 LONG BEACH BLVD. LONG BEACH, CA, 90807
Telephone	5622645078
CIK	0001848731
Symbol	GLASF
SIC Code	2833 - Medicinal Chemicals and Botanical Products
Industry	Drug Retailers
Sector	Consumer Non-Cyclicals
Fiscal Year	12/31

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

FORM 40-F

[Check one]

☐ REGISTRATION STATEMENT PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

OR

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

For the fiscal year ended **December 31, 2024** Commission File Number **000-56261**

Glass House Brands Inc.

(Exact name of Registrant as specified in its charter)

N/A

(Translation of Registrant's name into English (if applicable))

British Columbia, Canada	**2833**	**87-4028335**
(Province or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number (if applicable))	(I.R.S. Employer Identification Number (if applicable))

3645 Long Beach Blvd.
Long Beach, California 90807
212-299-7670
(Address and telephone number of Registrant's principal executive offices)

Kyle Kazan
3645 Long Beach Blvd.
Long Beach, California 90807
212-299-7670
(Name, address (including zip code) and telephone number (including area code) of agent for service in the United States)

Securities registered or to be registered pursuant to Section 12(b) of the Act: **None**.

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
N/A	**N/A**	**N/A**

Securities registered or to be registered pursuant to Section 12(g) of the Act: **Subordinate, Restricted and Limited Voting Shares, without par value.**

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: **None.**

For annual reports, indicate by check mark the information filed with this Form:

☒ Annual information form ☒ Audited annual financial statements

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report. **As of December 31, 2024, there were 69,888,086 Subordinate, Restricted and Limited Voting Shares and 4,754,979 Multiple Voting Shares outstanding.**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act 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 an emerging growth company as defined in Rule 12b-2 of the Exchange Act.

Emerging growth company ☒

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, 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. ☐

† The term "new or revised financial accounting standard" refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

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). ☐

PRINCIPAL DOCUMENTS

The following documents have been filed as part of this Annual Report on Form 40-F (this "Annual Report") of Glass House Brands Inc. (the "Company"):

A. Audited Consolidated Financial Statements of the Company as at and for the years ended December 31, 2024 and 2023, including the notes thereto, together with the report of the independent registered public accounting firm thereon (the "Audited Annual Financial Statements");

B. Management's Discussion and Analysis of the Company for the year ended December 31, 2024 (the "2024 MD&A"); and

C. Annual Information Form of the Company for the year ended December 31, 2024.

DISCLOSURE CONTROLS AND PROCEDURES

The Company's Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Annual Report (the "Evaluation Date"). Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of the Evaluation Date, the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the rules and forms of the U.S. Securities and Exchange Commission (the "Commission") and (ii) accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and the previously disclosed material weaknesses have been remediated.

MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

For management's annual report on internal control over financial reporting, see "*Disclosure Controls and Internal Control Over Financial Reporting*" set forth in the 2024 MD&A filed as Exhibit 99.2 to this Annual Report, incorporated herein by reference.

ATTESTATION REPORT OF THE REGISTERED PUBLIC ACCOUNTING FIRM

In accordance with the United States Jumpstart Our Business Startup Act (the "JOBS Act") enacted on April 5, 2012, the Company qualifies as an "emerging growth company" (an "EGC"), which entitles the Company to take advantage of certain exemptions from various reporting requirements. Specifically, the JOBS Act defers the requirement to have the Company's independent auditor assess the Company's internal controls over financial reporting under Section 404(b) of the Sarbanes-Oxley Act. As such, the Company is exempted from the requirement to include an auditor attestation report in this Annual Report for so long as the Company remains an EGC, which may be for as long as five years following its initial registration in the United States. Also see "*Disclosure Controls and Internal Control Over Financial Reporting*" set forth in the 2024 MD&A filed as Exhibit 99.2 to this Annual Report, incorporated herein by reference.

CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

Other than the remediation efforts described in the 2024 MD&A, during the period covered by this Annual Report, there was no change in the Company's internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting. See "*Disclosure Controls and Internal Control Over Financial Reporting*" set forth in the 2024 MD&A filed as Exhibit 99.2 to this Annual Report, incorporated herein by reference.

NOTICES PURSUANT TO REGULATION BTR

There were no notices required by Rule 104 of Regulation BTR that the Company sent during the year ended December 31, 2024 concerning any equity security subject to a blackout period under Rule 101 of Regulation BTR.

AUDIT COMMITTEE FINANCIAL EXPERT

The Company's board of directors has determined that the Company has at least one "audit committee financial expert" (as defined in paragraph (8)(b) of General Instruction B to Form 40-F) and that Jocelyn Rosenwald is the Company's "audit committee financial expert" serving on the Audit Committee of the board of directors of the Company. Jocelyn Rosenwald is "independent" (as determined under Exchange Act Rule 10A-3) and Nasdaq listing standards.

CODE OF BUSINESS CONDUCT AND ETHICS

The Company has adopted a code of business conduct and ethics that applies to all members of its board of directors, as well as its senior officers and other employees. A copy of the code of business conduct and ethics is posted on the Company's Internet website at www.glasshousebrands.com. If there are any amendments to the code of business conduct and ethics, the Company intends to provide a brief description of the amendment and a copy of the amendment via its website. No amendments to the code of business conduct and ethics were made and no waivers of the code of business conduct and ethics have been granted to any principal officer of the Company or any person performing similar functions during the year ended December 31, 2024. Information contained or otherwise accessed through the Company's website or any other website, other than those documents filed as exhibits hereto or otherwise specifically referred to herein, does not form part of this Annual Report, and any reference to the Company's website herein is as an inactive textual reference only.

PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets out the fees billed to the Company by Macias Gini & O'Connell LLP for professional services rendered in each of the years ended December 31, 2024 and 2023. During these years, Macias Gini & O'Connell LLP was the Company's only external auditor (in US$, in thousands).

	Year Ended December 31,	
	2024	**2023**
Audit Fees (note 1)	$ 2,049	$ 1,337
Audit-Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
	$ 2,049	$ 1,337

Notes:

1. The aggregate fees billed for audit services.

The Company's Audit Committee pre-approves all audit services and permitted non-audit services provided to the Company by Macias Gini & O'Connell LLP.

OFF-BALANCE SHEET ARRANGEMENTS

The Company does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

CONTRACTUAL OBLIGATIONS

The information provided under the heading "Contractual Obligations" set forth in the 2024 MD&A filed as Exhibit 99.2 to this Annual Report, incorporated herein by reference.

IDENTIFICATION OF THE AUDIT COMMITTEE

Not applicable.

MINE SAFETY DISCLOSURE

Not applicable.

DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not applicable.

UNDERTAKING AND CONSENT TO SERVICE OF PROCESS

A. Undertaking

The Company undertakes to make available, in person or by telephone, representatives to respond to inquiries made by the Commission staff, and to furnish promptly, when requested to do so by the Commission staff, information relating to: the securities registered pursuant to Form 40-F; the securities in relation to which the obligation to file an annual report on Form 40-F arises; or transactions in said securities.

B. Consent to Service of Process

A written consent to service of process on Form F-X has been previously filed with the Commission. Any change to the name or address of the Company's agent for service shall be communicated promptly to the Commission by amendment to the Form F-X referencing the file number of the Company.

EXHIBIT INDEX

The following documents are being filed with the Commission as exhibits to this Annual Report.

Exhibit No.	Description
99.1	Audited Consolidated Financial Statements for the years ended December 31, 2024 and 2023
99.2	Management's Discussion and Analysis of Financial Condition and Results of Operations for the year ended December 31, 2024
99.3	Annual Information Form for the year ended December 31, 2024
99.4	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Exchange Act
99.5	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Exchange Act
99.6**	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350
99.7	Form 52-109F1 Certificate of Annual Filings (CEO)
99.8	Form 52-109F1 Certificate of Annual Filings (CFO)
99.9	Consent of Macias Gini & O'Connell LLP (PCAOB ID: 324)
101.SCH	Inline XBRL Taxonomy Extension 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 (formatted as Inline XBRL and contained in Exhibit 101)

** This exhibit is furnished with this Annual Report, is not deemed filed with the Commission, and is not incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language in such filing.

SIGNATURES

Pursuant to the requirements of the Exchange Act, the Registrant certifies that it meets all of the requirements for filing on Form 40-F and has duly caused this Annual Report to be signed on its behalf by the undersigned, thereto duly authorized.

GLASS HOUSE BRANDS INC.

Date: March 25, 2025	By:	/s/ Kyle Kazan
	Name:	Kyle Kazan
	Title:	Chief Executive Officer

Exhibit 99.1

GLASS HOUSE BRANDS INC.

CONSOLIDATED FINANCIAL STATEMENTS

AS OF AND FOR THE YEARS ENDED

DECEMBER 31, 2024 AND 2023

GLASS HOUSE BRANDS INC.
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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of

Glass House Brands Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Glass House Brands Inc. (the "Company") as of December 31, 2024 and 2023, and the related consolidated statements of operations, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively referred to as 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, 2024 and 2023, and the results of its operations and its cash flows for the years then ended, in conformity with the accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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 the 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 audits 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.

We have served as the Company's auditor since 2020.

/s/ Macias Gini & O'Connell LLP

Los Angeles, California

March 25, 2025

PCAOB ID Number 324

GLASS HOUSE BRANDS INC.
Consolidated Balance Sheets

(Amounts Expressed in United States Dollars in Thousands, Except Share Data, Unless Otherwise Stated)

	As of December 31, 2024	As of December 31, 2023
ASSETS		
Current Assets:		
Cash	$ 33,923	$ 29,524
Restricted Cash	3,000	3,000
Accounts Receivable, Net	5,221	3,979
Income Taxes Receivable	1,929	—
Prepaid Expenses and Other Current Assets	7,775	3,873
Inventory	14,252	8,840
Total Current Assets	66,100	49,216
Operating Lease Right-of-Use Assets, Net	8,168	8,960
Finance Lease Right-of-Use Assets, Net	2,568	1,900
Long Term Investments	2,341	2,327
Property, Plant and Equipment, Net	212,252	215,686
Intangible Assets, Net	14,200	21,213
Other Assets	4,873	4,473
TOTAL ASSETS	**$ 310,502**	**$ 303,775**
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	$ 31,128	$ 26,932
Income Taxes Payable	2,408	7,879
Contingent Shares Payable and Earnout Liabilities	20,265	34,589
Shares Payable	2,579	8,570
Current Portion of Operating Lease Liabilities	1,565	1,452
Current Portion of Finance Lease Liabilities	889	387
Current Portion of Notes Payable	7,644	7,550
Total Current Liabilities	66,478	87,359
Operating Lease Liabilities, Net of Current Portion	6,860	7,704
Finance Lease Liabilities, Net of Current Portion	1,688	1,520
Other Non-Current Liabilities	20,869	5,443
Notes Payable, Net of Current Portion	50,552	56,513
TOTAL LIABILITIES	**146,447**	**158,539**
MEZZANINE NON-CONTROLLING INTEREST:		
GH Group, Inc. Preferred Series B Shares (no par value, 55,000 shares authorized, 49,969 shares issued and outstanding as of December 31, 2024 and December 31, 2023)	65,084	57,545
GH Group, Inc. Preferred Series C Shares (no par value, 5,000 shares authorized, 5,000 shares issued and outstanding as of December 31, 2024 and December 31, 2023)	6,279	5,608
GH Group, Inc. Preferred Series D Shares (no par value, 15,000 shares authorized, 15,000 shares issued and outstanding as of December 31, 2024 and December 31, 2023)	15,000	15,000
SHAREHOLDERS' EQUITY:		
Multiple Voting Shares (No par value, unlimited shares authorized, 4,754,979 shares issued and outstanding as of December 31, 2024 and December 31, 2023)	—	—
Subordinate Voting Shares (No par value, unlimited shares authorized, 69,888,086 and 61,986,686 shares issued and outstanding as of December 31, 2024 and December 31, 2023, respectively)	—	—
Exchangeable Shares (No par value, unlimited shares authorized, 7,017,866 and 8,953,951 shares issued and outstanding as of December 31, 2024 and December 31, 2023, respectively)	—	—
Additional Paid-In Capital	306,652	280,696
Accumulated Deficit	(190,416)	(190,935)
Total Shareholders' Equity Attributable to the Company	116,236	89,761
Non-Controlling Interest	(38,544)	(22,678)
TOTAL SHAREHOLDERS' EQUITY	**164,055**	**145,236**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**$ 310,502**	**$ 303,775**

See accompanying notes to consolidated financial statements.

GLASS HOUSE BRANDS INC.
Consolidated Statements of Operations
(Amounts Expressed in United States Dollars in Thousands, Except Share and Per Share Data, Unless Otherwise Stated)

	Year Ended December 31,			
		2024		**2023**
Revenues, Net	$	200,898	$	160,836
Cost of Goods Sold (Exclusive of Depreciation and Amortization Shown Separately Below)		103,505		79,867
Gross Profit		97,393		80,969
Operating Expenses:				
General and Administrative		60,126		52,914
Sales and Marketing		2,418		2,838
Professional Fees		7,768		7,304
Depreciation and Amortization		15,044		14,627
Impairment Expense for Goodwill		—		37,912
Impairment Expense for Intangible Assets		6,300		14,903
Total Operating Expenses		91,656		130,498
Income (Loss) from Operations		5,737		(49,529)
Other (Income) Expense:				
Interest Expense		9,184		9,819
Interest Income		—		(45)
(Gain) Loss on Equity Method Investments		(14)		2,102
(Gain) Loss on Change in Fair Value of Derivative Asset		(690)		28
(Gain) Loss on Change in Fair Value of Contingent Liabilities and Shares Payable		(13,724)		24,399
Other (Income) Expense, Net		(238)		2,286
Total Other (Income) Expense, Net		(5,482)		38,589
Income (Loss) from Operations Before Provision for Income Taxes		11,219		(88,118)
Provision for Income Taxes		10,498		9,943
Net Income (Loss)		721		(98,061)
Net Income Attributable to Non-Controlling Interest		202		209
Net Income (Loss) Attributable to the Company	**$**	**519**	**$**	**(98,270)**
Loss Per Share - Basic	**$**	**(0.21)**	**$**	**(1.62)**
Loss Per Share - Diluted	**$**	**(0.21)**	**$**	**(1.62)**
Weighted-Average Shares Outstanding - Basic		**75,229,075**		**72,028,902**
Weighted-Average Shares Outstanding - Diluted		**75,229,075**		**72,028,902**

See accompanying notes to consolidated financial statements.

GLASS HOUSE BRANDS INC.

Consolidated Statements of Changes in Shareholders' Equity

(Amounts Expressed in United States Dollars in Thousands, Except Share Data, Unless Otherwise Stated)

	Units			$ Amount							
	Multiple Voting Shares	Equity Shares	Exchangeable Voting Shares	Additional Paid-In Capital	Accumulated Deficit	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	Mezzanine Non-Controlling Equity Preferred Series B	Mezzanine Non-Controlling Equity Preferred Series C	Mezzanine Non-Controlling Equity Preferred Series D	Non-Controlling Interest	TOTAL SHAREHOLDERS' EQUITY
BALANCE AS OF DECEMBER 31, 2022	**4,754,979**	**55,653,855**	**12,566,550**	**$ 261,527**	**$ (92,665)**	**$ 168,862**	**$ 51,774**	**$ 4,760**	**$ —**	**$ (4,262)**	**$ 221,134**
Net Income (Loss)	—	—	—	—	(98,270)	(98,270)	—	—	—	209	(98,061)
Share-Based Compensation from Options and Restricted Stock Units	—	—	—	7,637	—	7,637	—	—	—	—	7,637
Shares Issued for Shares Payable - Plus Business Acquisition	—	1,300,006	—	4,446	—	4,446	—	—	—	—	4,446
Issuance of Series C Preferred Shares and Warrants	—	—	—	84	—	84	—	216	—	—	300
Adjustment of Series C Preferred Shares to Redemption Value	—	—	—	—	—	—	—	84	—	(84)	—
Issuance of Series D Preferred Shares and Warrants	—	—	—	5,709	—	5,709	—	—	9,291	—	15,000
Adjustment of Series D Preferred Shares to Redemption Value	—	—	—	—	—	—	—	—	5,709	(5,709)	—
Shares Issued for Conversion of Exchangeable Shares	—	3,612,599	(3,612,599)	—	—	—	—	—	—	—	—
Shares Issued for Vesting of Restricted Stock Units	—	1,149,163	—	—	—	—	—	—	—	—	—
Shares Issued for Payment of Interest on Convertible Debentures	—	271,063	—	1,293	—	1,293	—	—	—	—	1,293
Distributions to Non-Controlling Interest Holders	—	—	—	—	—	—	—	—	—	(182)	(182)
Dividends - Preferred Shareholders	—	—	—	—	—	—	5,771	548	—	(12,650)	(6,331)
BALANCE AS OF DECEMBER 31, 2023	**4,754,979**	**61,986,686**	**8,953,951**	**$ 280,696**	**$ (190,935)**	**$ 89,761**	**$ 57,545**	**$ 5,608**	**$ 15,000**	**$ (22,678)**	**$ 145,236**

See accompanying notes to consolidated financial statements.

GLASS HOUSE BRANDS INC.

Consolidated Statements of Changes in Shareholders' Equity

(Amounts Expressed in United States Dollars in Thousands, Except Share Data, Unless Otherwise Stated)

	Units						$ Amount				
	Multiple Voting Shares	Subordinate Equity Shares	Exchangeable Voting Shares	Additional Paid-In Capital	Accumulated Deficit	TOTAL EQUITY ATTRIBUTABLE TO SHAREHOLDERS	Mezzanine Non-Controlling Equity Preferred Series B	Mezzanine Non-Controlling Equity Preferred Series C	Mezzanine Non-Controlling Equity Preferred Series D	Non-Controlling Interest	TOTAL SHAREHOLDERS' EQUITY
BALANCE AS OF DECEMBER 31, 2023	**4,754,979**	**61,986,686**	**8,953,951**	**$ 280,696**	**$ (190,935)**	**$ 89,761**	**$ 57,545**	**$ 5,608**	**$ 15,000**	**$ (22,678)**	**$ 145,236**
Net Income	—	—	—	—	519	519	—	—	—	202	721
Share-Based Compensation from Options and Restricted Stock Units	—	—	—	13,098	—	13,098	—	—	—	—	13,098
Shares Issued for Shares Payable - NHC Business Acquisitions	—	465,797	—	3,834	—	3,834	—	—	—	—	3,834
Shares Issued for Exercise of Warrants	—	135,489	—	252	—	252	—	—	—	—	252
Shares Issued for Conversion of Exchangeable Shares	—	1,937,049	(1,936,085)	—	—	—	—	—	—	—	—
Shares Issued for Vesting of Restricted Stock Units	—	2,603,040	—	—	—	—	—	—	—	—	—
Shares Issued for Exercise of Options	—	838,398	—	1,942	—	1,942	—	—	—	—	1,942
Shares Issued for 2023 Bonus	—	286,406	—	2,715	—	2,715	—	—	—	—	2,715
Shares Issued for Vested GH Group Non-Qualified Options	—	1,433,810	—	2,757	—	2,757	—	—	—	—	2,757
Shares Issued for Payment of Interest on Convertible Debentures	—	191,411	—	1,292	—	1,292	—	—	—	—	1,292
Shares Issued for At-the-Market Program	—	10,000	—	66	—	66	—	—	—	—	66
Distributions to Non-Controlling Interest Holders	—	—	—	—	—	—	—	—	—	(109)	(109)
Dividends - Preferred Shareholders	—	—	—	—	—	—	7,539	671		(15,959)	(7,749)
BALANCE AS OF DECEMBER 31, 2024	**4,754,979**	**69,888,086**	**7,017,866**	**$ 306,652**	**$ (190,416)**	**$ 116,236**	**$ 65,084**	**$ 6,279**	**$ 15,000**	**$ (38,544)**	**$ 164,055**

See accompanying notes to consolidated financial statements.

GLASS HOUSE BRANDS INC.
Consolidated Statements of Cash Flows
(Amounts Expressed in United States Dollars in Thousands Unless Otherwise Stated)

	Year Ended December 31,	
	2024	**2023**
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income (Loss)	$ 721	$ (98,061)
Adjustments to Reconcile Net Income (Loss) to Net Cash Provided by Operating Activities:		
Deferred Tax Benefit	—	1,512
Bad Debt Expense, Net of Recoveries	305	981
Interest Capitalized to Notes Receivable	—	(100)
Loss on Disposal of Property and Equipment	—	130
Depreciation and Amortization	15,044	14,627
(Gain) Loss on Equity Method Investments	(14)	2,102
Impairment Expense for Goodwill	—	37,912
Impairment Expense for Intangible Assets	6,300	14,903
Non-Cash Operating Lease Costs	1,617	1,258
Accretion of Debt Discount and Loan Origination Fees	1,690	2,037
(Gain) Loss on Change in Fair Value of Derivative Asset	(690)	28
(Gain) Loss on Change in Fair Value of Contingent Liabilities and Shares Payable	(13,724)	24,399
Share-Based Compensation	13,098	7,637
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(1,481)	(172)
Income Taxes Receivable	(1,929)	—
Prepaid Expenses and Other Current Assets	(3,902)	3,883
Inventory	(5,412)	2,361
Other Assets	215	191
Accounts Payable and Accrued Liabilities	8,413	5,985
Interest Payments on Finance Leases	(258)	(159)
Income Taxes Payable	(5,471)	278
Operating Lease Liabilities	(1,556)	(1,151)
Other Non-Current Liabilities	15,426	2,643
NET CASH PROVIDED BY OPERATING ACTIVITIES	**28,392**	**23,224**
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of Property and Equipment	(10,294)	(12,309)
Proceeds From Payments on Note Receivable	—	63
Issuance of Note Receivable	—	(285)
Contributions to Equity Method Investments	—	(183)
NET CASH USED IN INVESTING ACTIVITIES	**(10,294)**	**(12,714)**
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the Issuance of Notes Payable, Third Parties and Related Parties	—	63
Proceeds from the Issuance of Preferred Shares	—	15,300
Payment on Finance Lease	(478)	(284)
Payments on Notes Payable, Third Parties and Related Parties	(7,557)	(696)
Cash Received Upon Exercise of Options	2,194	—
Distributions to Non-Controlling Interest Holders	(109)	(182)
Distributions to Preferred Shareholders	(7,749)	(6,331)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	**(13,699)**	**7,870**
NET INCREASE IN CASH, RESTRICTED CASH AND CASH EQUIVALENTS	4,399	18,380
Cash, Restricted Cash and Cash Equivalents, Beginning of Period	32,524	14,144
CASH, RESTRICTED CASH AND CASH EQUIVALENTS, END OF PERIOD	**$ 36,923**	**$ 32,524**

See accompanying notes to consolidated financial statements.

GLASS HOUSE BRANDS INC.
Consolidated Statements of Cash Flows
(Amounts Expressed in United States Dollars in Thousands Unless Otherwise Stated)

	Year Ended December 31,	
	2024	2023
SUPPLEMENTAL DISCLOSURE FOR CASH FLOW INFORMATION		
Cash Paid for Interest	$ 5,992	$ 7,395
Cash Paid for Taxes	2,457	4,830
Non-Cash Investing and Financing Activities:		
Shares Issued to Settle Shares Payable - NHC Business Acquisitions	3,834	—
Shares Issued for Vested GH Group Non-Qualified Options	2,757	—
Shares Issued for 2023 Bonus	2,715	—
Recognition of Right-of-Use Asset and Lease Liability for Finance Lease	1,293	1,910
Shares Issued for Payment of Interest on Convertible Debentures	1,292	1,293
Issuance of At-the-Money shares	66	—
Lease Terminations and Amendments	22	630
Adjustment of Preferred Shares to Redemption Value	—	5,793
Shares Issued for Shares Payable - Plus Business Acquisition	—	4,446
Reclass of Turlock Notes Receivable for Acquired Assets of NHC Turlock	—	1,578
Interest Capitalized to Property and Equipment	—	274

See accompanying notes to consolidated financial statements.

1. NATURE OF OPERATIONS

Glass House Brands Inc. (the "Company"), formerly known as Mercer Park Brand Acquisition Corp. ("Mercer Park"), was incorporated under the *Business Corporations Act* (British Columbia) on April 16, 2019. The Company is a vertically integrated cannabis company that operates exclusively in the state of California as of December 31, 2024. The Company, through its subsidiaries cultivates, manufactures, and distributes cannabis bulk flower and trim to wholesalers and consumer packaged goods to third-party retail stores in the state of California. The Company also owns and operates retail cannabis stores in the state of California. The Company's subordinate voting shares ("Subordinate Voting Shares"), restricted voting shares ("Restricted Voting Shares") and limited voting shares ("Limited Voting Shares", and collectively with the Subordinate Voting Shares and the Restricted Voting Shares, the "Equity Shares"), and certain common share purchase warrants (the "Listed Warrants") are listed on Cboe Canada, trading under the symbols "GLAS.A.U" and "GLAS.WT.U," respectively. The Equity Shares and Listed Warrants also trade on the OTCQX in the United States under the symbols "GLASF" and "GHBWF," respectively. The head office and principal address of the Company is 3645 Long Beach Boulevard, Long Beach, California 90807. The Company's registered office in Canada is 666 Burrard Street, Suite 2500, Vancouver, BC V6C 2X8 Canada.

Liquidity

Historically, the Company's primary source of liquidity has been from its operations, capital contributions made by equity investors and preferred equity investors, and debt issuances. The Company is meeting its operational obligations as they become due from its current working capital and from operations. However, the Company has sustained losses since inception and may require additional capital in the future. As of and for the year ended December 31, 2024, the Company had an accumulated deficit of $190.4 million, a net income attributable to the Company of $0.5 million and net cash provided by operating activities of $28.4 million. The Company estimates that based on current business operations and working capital, it will continue to meet its obligations as they become due in the short term.

The Company is generating cash from revenues and deploying its capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are primarily being utilized for capital expenditures, facility improvements, product development and marketing. The Company expects to continue to finance its operations, capital expenditures, facility improvements, product development and marketing primarily through cash from sales to customers and may consider future equity issuances and debt financing arrangements.

Liquidity risk is the risk that the Company will not be able to meet its financial obligations associated with financial liabilities. The Company manages its 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. In the event sufficient cash flow is not available from operating activities, the Company may continue to raise equity or debt capital from investors in order to meet liquidity needs. If the Company is not able to secure adequate additional funding, the Company may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible, or suspend or curtail planned programs. Any of these actions could materially harm the Company's business, results of operations and future prospects. There can be no assurance that such financing will be available or will be on terms acceptable to the Company.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The accompanying Consolidated Financial Statements have been prepared on a going concern basis in accordance with accounting principles generally accepted in the United States of America ("GAAP") and reflect the accounts and operations of the Company and those of the Company's subsidiaries in which the Company has a controlling financial interest. Investments in entities in which the Company has significant influence, but less than a controlling financial interest, are accounted for using the equity method.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

All intercompany transactions and balances have been eliminated in consolidation. In the opinion of management, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of the consolidated financial position of the Company as of December 31, 2024 and 2023, and the consolidated results of operations and cash flows for the years ended December 31, 2024 and 2023, have been included.

Basis of Consolidation

These Consolidated Financial Statements as of December 31, 2024 and 2023 include the accounts of the Company, its wholly-owned subsidiaries and entities over which the Company has control as defined in Accounting Standards Codification ("ASC") 810, *Consolidation*. Subsidiaries over which the Company has control are fully consolidated from the date control commences until the date control ceases. Control exists when the Company has ownership of a majority voting interest, and, therefore, as a general rule ownership by one reporting entity, directly or indirectly, of more than fifty percent of the outstanding voting securities of another entity. In assessing control, potential voting rights that are currently exercisable are considered.

The following are the Company's principal wholly-owned or controlled subsidiaries and/or affiliates that are included in these consolidated financial statements as of and for the years ended December 31, 2024 and 2023:

Corporate Entities

			Ownership	
Entity	**Location**	**Purpose**	**2024**	**2023**
MPB Acquisition Corp	Nevada	Holding company	100 %	100 %
GH Group Inc.	Long Beach, CA	Holding company	100 %	100 %
GHB Usub LLC	Long Beach, CA	Holding company	100 %	100 %
Glass House Retail, LLC	Long Beach, CA	Holding company	100 %	100 %
Glass House Cultivation LLC	Camarillo, CA	Holding company	100 %	100 %
Glass House Manufacturing LLC	Lompoc, CA	Holding company	100 %	100 %
LOB Investment Co. LLC	Long Beach, CA	Holding company	100 %	100 %
Plus Products Holding Inc.	Long Beach, CA	Holding company	100 %	100 %
Plus Products Nevada LLC [1]	Long Beach, CA	Holding company	0 %	100 %
Plus Products Services LLC [1]	Long Beach, CA	Holding company	0 %	100 %
Plus Products Wonders LLC [1]	Long Beach, CA	Holding company	0 %	100 %
Uplift Services LLC [1]	Long Beach, CA	Holding company	0 %	100 %
Carberry LLC [1]	Long Beach, CA	Holding company	0 %	100 %

[1] The Company dissolved the entity.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

Management and Operating Entities

Subsidiaries	Location	Purpose	Ownership 2024	Ownership 2023
G&H Supply Company, LLC	Carpinteria, CA	Cultivation management	100 %	100 %
Mission Health Associates, Inc.	Carpinteria, CA	Cannabis cultivation	100 %	100 %
MGF Management LLC	Carpinteria, CA	Cultivation management	100 %	100 %
G&K Produce LLC	Carpinteria, CA	Cannabis cultivation	100 %	100 %
K&G Flowers LLC	Carpinteria, CA	Cannabis cultivation	100 %	100 %
Glass House Camarillo Cultivation LLC	Camarillo, CA	Cannabis cultivation	100 %	100 %
GHCH LLC	Camarillo, CA	Hemp cultivation	100 %	0 %
Lompoc Manufacturing GHG, LLC	Lompoc, CA	Cannabis processing	100 %	100 %
Lompoc Management Co. LLC	Lompoc, CA	Manufacturing management	100 %	100 %
CA Manufacturing Solutions LLC	Lompoc, CA	Cannabis manufacturing	100 %	100 %
Bud and Bloom Inc.	Santa Ana, CA	Cannabis retail	100 %	100 %
Farmacy SB Inc.	Santa Barbara, CA	Cannabis retail	100 %	100 %
ICANN LLC	Berkeley, CA	Cannabis retail	100 %	100 %
Farmacy Isla Vista LLC	Goleta, CA	Cannabis retail	100 %	100 %
SBDANK LLC	Santa Ynez, CA	Cannabis retail	51 %	51 %
E7 Eureka LLC	Eureka, CA	Cannabis retail applicant	100 %	100 %
The Pottery Inc.	Los Angeles, CA	Cannabis retail	100 %	100 %
Natural Healing Center LLC	Grover Beach, CA	Cannabis retail	100 %	100 %
NHC Lemoore LLC	Lemoore, CA	Cannabis retail	100 %	100 %
NHC-MB LLC	Morro Bay, CA	Cannabis retail	100 %	100 %
NHC Turlock, LLC	Turlock, CA	Cannabis retail	100 %	100 %

Real Estate Entities

Subsidiaries	Location	Purpose	Ownership 2024	Ownership 2023
Glass House Farm LLC	Carpinteria, CA	Real Estate	100 %	100 %
Magu Farm LLC	Carpinteria, CA	Real Estate	100 %	100 %
East Saint Gertrude 1327 LLC	Santa Ana, CA	Real Estate	100 %	100 %
GH Camarillo LLC	Camarillo, CA	Real Estate	100 %	100 %

Consolidation of Variable Interest Entities

ASC 810 requires a variable interest holder to consolidate a variable interest entity ("VIE") if that party has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. To determine whether or not a variable interest the Company holds could potentially be significant to the VIE, the Company considers both qualitative and quantitative factors regarding the nature, size and form of the Company's involvement with the VIE. The equity method of accounting is applied to entities in which the Company is not the primary beneficiary or the entity is not a VIE and the Company does not have effective control, but can exercise influence over the entity with respect to its operations and major decisions. The Company does not consolidate a VIE in which it is not considered the primary beneficiary. The Company evaluates its relationships with all the VIE's on an ongoing basis to reassess if it continues to be the primary beneficiary.

Non-Controlling Interests

Non-controlling interests represent equity interests owned by parties that are not shareholders of the ultimate parent. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income or loss is recognized directly in equity. Changes in the parent company's ownership interest that do not result in a loss of control are accounted for as equity transactions.

Use of Estimates

The preparation of the Consolidated Financial Statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the Consolidated Financial Statements and the reported amounts of total net revenue and expenses during the reporting period. The Company regularly evaluates significant estimates and assumptions related to the consolidation or non-consolidation of variable interest entities, estimated useful lives, depreciation of property and equipment, amortization of intangible assets, inventory valuation, share-based compensation, business combinations, goodwill impairment, long-lived asset impairment, purchased asset valuations, fair value of financial instruments, compound financial instruments, derivative liabilities, deferred income tax asset valuation allowances, incremental borrowing rates, lease terms applicable to lease contracts and going concern. These estimates and assumptions are based on current facts, historical experience and various other factors that the Company believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. The actual results the Company experiences may differ materially and adversely from these estimates. To the extent there are material differences between the estimates and actual results, the Company's future results of operations could be negatively impacted.

Fair Value Measurements

The Company applies fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring basis. 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 the principal or most advantageous market 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 risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

In accordance with the fair value accounting requirements, companies may choose to measure eligible financial instruments and certain other items at fair value. The Company has not elected the fair value option for any eligible financial instruments. There have been no transfers into or out of Level 3 during the years ended December 31, 2024 and 2023.

Financial instruments are measured at amortized cost or at fair value. Financial instruments measured at amortized cost consist of accounts receivable, other liabilities, and accounts payable and accrued liabilities wherein the carrying value approximates fair value due to its short-term nature. Other financial instruments measured at amortized cost include notes payable wherein the carrying value at the effective interest rate approximates fair value as the interest rate for such notes payable.

Cash and cash equivalents and restricted cash are measured at Level 1 inputs. Acquisition-related liabilities resulting from business combinations are measured at fair value using Level 1 or Level 3 inputs. Investments that are measured at fair value use Level 3 inputs. Refer to Note 5 – Investments for assumptions used to value investments. Refer to Note 11 – Contingent Shares Payable and Earnout Liabilities for assumptions used to value the contingent consideration.

The individual fair values attributed to the different components of a financing transaction, notably derivative financial instruments, convertible debentures and loans, are determined using valuation techniques. The Company uses judgment to select the methods used to make certain assumptions and derive estimates. Significant judgment is also used when attributing fair values to each component of a transaction upon initial recognition, measuring fair values for certain instruments on a recurring basis and disclosing the fair values of financial instruments subsequently carried at amortized cost. These valuation estimates could be significantly different because of the use of judgment and the inherent uncertainty in estimating the fair value of instruments that are not quoted or observable in an active market.

Cash and Cash Equivalents

Cash and cash equivalents are comprised of cash and highly liquid investments that are readily convertible into known amounts of cash with original maturities of three months or less.

Restricted Cash

Restricted cash balances are those which meet the definition of cash and cash equivalents but are not available for use by the Company. As of December 31, 2024 and 2023, restricted cash was $3.0 million in each period, which is held in an escrow account and used as an interest reserve for the Company's senior term loan agreement. See Note 13 – Notes Payable and Convertible Debentures for further discussion.

Accounts Receivable

The Company extends non-interest-bearing trade credit to its customers in the ordinary course of business which is not collateralized. Accounts receivable are shown on the face of the Consolidated Balance Sheets, net of an allowance for credit losses. The Company analyzes the aging of accounts receivable, historical credit losses, customer creditworthiness and current economic trends in determining the allowance for credit losses. The Company does not accrue interest receivable on past due accounts receivable.

The Company assesses all information available, including on a forward-looking basis, related to the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, the Company compares the risk of a default occurring on the asset at the reporting date with the risk of default at the date of initial recognition based on available information, and forward-looking information that is reasonable and supportive. For accounts receivable, the Company recognizes a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to the Company under the contract and the cash flows that the Company expects to receive. The Company assesses all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with its assets carried at amortized cost. The Company measures expected credit loss by considering the risk of default over the contract period and incorporates forward-looking information into its measurement.

Accounts receivable, net is as follows (in thousands):

	As of December 31,	
	2024	2023
Accounts Receivable Amortized Cost	5,693	4,696
Allowance for Credit Losses	(472)	(717)
Accounts Receivable, Net	**$ 5,221**	**$ 3,979**

The following table summarizes the changes in the allowance for credit losses for accounts receivable (in thousands):

	Year Ended December 31,	
	2024	2023
Balance, Beginning of Period	$ (717)	$ (1,114)
Provision for Expected Credit Losses	(305)	(981)
Write-Offs	550	1,378
Balance, End of Period	**$ (472)**	**$ (717)**

Inventory

Inventory is comprised of raw materials, finished goods and work-in-process such as pre-harvested cannabis plants and by-products to be extracted. The costs of growing cannabis, including but not limited to labor, utilities, nutrition and supplies, are capitalized into inventory until the time of harvest. All direct and indirect costs, except depreciation and amortization related to inventory are capitalized when incurred, and subsequently classified to cost of goods sold in the Consolidated Statements of Operations. Raw materials and work-in-process are stated at the lower of cost or net realizable value, determined using the weighted average cost. The purchase of finished goods inventory costs include the purchase price of the product and freight costs to deliver it the Company's facilities. Finished goods inventory is stated at the lower of cost or net realizable value, with cost being determined on the first-in, first-out ("FIFO") method of accounting. Net realizable value is determined as the estimated selling price in the ordinary course of business less estimated costs to sell. The Company periodically reviews physical inventory for excess, obsolete, and potentially impaired items and reserves. The Company reviews inventory for obsolete, redundant and slow-moving goods, and any such inventory is written down to net realizable value. Packaging and supplies are initially valued at cost. The reserve estimate for excess and obsolete inventory is based on expected future use. The reserve estimates have historically been consistent with actual experience as evidenced by actual sale or disposal of the goods. As of December 31, 2024 and 2023, the Company's reserve was $1.0 million and $0.8 million, respectively.

Leased Assets

In accordance with ASC 842, *Leases*, the Company determines if an arrangement is a lease at inception. Operating and finance leases are included in operating lease right-of-use ("ROU") assets and accrued obligations under operating and finance lease (current and non-current) liabilities in the Consolidated Balance Sheets. Leases with an initial term of 12 months or less that do not include an option to purchase the underlying asset that we are reasonably certain to exercise, also known as short-term leases, are not recorded on the Consolidated Balance Sheets and are expensed in the Consolidated Statements of Operations on a straight-line basis over the lease term.

ROU assets represent the Company's right to use an underlying asset for the lease term, and lease liabilities represent the Company's obligation to make lease payments arising from the lease. ROU assets are classified as a finance lease or an operating lease. A finance lease is a lease in which at least one of the following is true: 1) ownership of the property transfers to the lessee by the end of the lease term, 2) the lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise, 3) the lease is for a major part of the remaining economic life of the underlying asset, 4) the present value of the sum of the lease payments and any residual value guaranteed by the lessee that is not already included in the lease payments equals or exceeds substantially all of the fair value, or 5) the underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term. The Company classifies a lease as an operating lease when it does not meet any one of these criteria.

The Company applies judgment in determining whether a contract contains a lease and if a lease is classified as an operating lease or a finance lease. The Company applies judgment in determining the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. All relevant factors that create an economic incentive for it to exercise either the renewal or termination options are considered. The Company reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate. The Company applies judgment in allocating the consideration in a contract between lease and non-lease components. It considers whether the Company can benefit from the ROU asset either on its own or together with other resources and whether the asset is highly dependent on or highly interrelated with another ROU asset.

In accordance with ASC 842, lease liability is initially measured at the present value of the lease payments, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The Company applies judgment in determining the incremental borrowing rate using estimates which are based on the information available at commencement date. The Company initially measures the ROU asset at the initial amount of the lease liability, plus initial direct costs and lease payments at or before the commencement date, less any lease incentives received.

Additionally, management monitors for events or changes in circumstances that may require a reassessment of one of its leases and determines if a remeasurement is required.

Investments

Long-term investments are related to investments in equity and debt securities of entities over which the Company does not have a controlling financial interest or significant influence and are accounted for at fair value in accordance with ASC 321, *Investments—Equity Securities*, as well as investments and joint ventures in which the Company can exert significant influence but does not control.

Equity investments without readily determinable fair values (which are classified as Level 3 investments in the fair value hierarchy) are measured at cost with adjustments for observable changes in price or impairments (referred to as the "measurement alternative"). In applying the measurement alternative, the Company performs a qualitative assessment on a quarterly basis and recognizes an impairment if there are sufficient indicators that the fair value of the equity investments is less than carrying values. Changes in value are recorded in other (income) expense, net in the Consolidated Statements of Operations.

Equity Method and Joint Venture Investments

The Company accounts for investments in which it can exert significant influence but does not control as equity method investments in accordance with ASC 323, *Investments—Equity Method and Joint Ventures*. In accordance with ASC 825, *Financial Instruments*, the fair value option to measure eligible items at fair value on an instrument-by-instrument basis can be applied. Joint ventures are arrangements whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. Investments in joint ventures are accounted for under the equity method. These investments are recorded at the amount of the Company's initial investment and adjusted each period for the Company's share of the investee's income or loss, and dividends paid.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and impairment losses, if any. Depreciation is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

Land	Not Depreciated
Buildings	15 Years
Furniture and Fixtures	5 Years
Leasehold Improvements	Shorter of Lease Term or Economic Life
Equipment and Software	3 – 5 Years
Construction in Progress	Not Depreciated

The assets' residual values, useful lives and methods of depreciation are reviewed at each reporting period and adjusted prospectively, if appropriate. An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying value of the asset) is included in the Consolidated Statements of Operations in the period the asset is derecognized.

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. Intangible assets with a definite life are amortized on a straight-line basis over their estimated useful lives, which do not exceed the contractual period, if any. The estimated useful lives, residual values and amortization methods are reviewed at each reporting period, and any changes in estimates are accounted for prospectively. Intangible assets with an indefinite life or not yet available for use are not subject to amortization. Amortization is calculated on a straight-line basis over the estimated useful life of the asset using the following terms and methods:

Dispensary Licenses	Indefinite
Intellectual Property	5-10 Years

In accordance with ASC 350, *Intangibles—Goodwill and Other*, costs of internally developing, maintaining or restoring intangible assets are expensed as incurred. Costs are capitalized when certain criteria are met through the point at which the intangible asset is substantially complete and ready for its intended use.

Goodwill

Goodwill is measured as the excess of consideration transferred over the net of the acquisition date fair value of assets acquired and liabilities assumed in a business acquisition. Goodwill is assigned to the reporting unit, which is the operating segment level or one level below the operating segment. In accordance with ASC 350, goodwill and other intangible assets with indefinite lives are not subject to amortization. The Company reviews the goodwill and other intangible assets allocated to each of the Company's reporting units for impairment on an annual basis as of year-end or whenever events or changes in circumstances indicate it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If the carrying amount of a reporting unit is in excess of its fair value, the Company recognizes an impairment charge equal to the amount in excess.

The Company performs a qualitative assessment (commonly referred to as "Step Zero") to determine whether further quantitative analysis for impairment of goodwill is necessary. In performing Step Zero for the Company's goodwill impairment test, the Company is required to make assumptions and judgments including but not limited to the following: the evaluation of macroeconomic conditions as related to the Company's business, industry and market trends, and the overall future financial performance of its reporting units and future opportunities in the markets in which they operate. If impairment indicators are present after performing Step Zero, the Company would perform a quantitative impairment analysis to estimate the fair value of goodwill. Refer to Note 9 –Goodwill for further discussion on goodwill impairment.

Impairment of Long-Lived Assets

For purposes of the impairment test, long-lived assets such as property, plant and equipment, and definite-lived intangible assets are grouped with other assets and liabilities at the lowest level for which identifiable independent cash flows are available ("asset group"). In accordance with ASC 360, *Property, Plant, and Equipment*, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In order to determine if assets have been impaired, the impairment test is a two-step approach wherein the recoverability test is performed first to determine whether the long-lived asset is recoverable. The recoverability test (Step 1) compares the carrying amount of the asset to the sum of its future undiscounted cash flows using entity-specific assumptions generated through the asset's use and eventual disposition. If the carrying amount of the asset is less than the cash flows, the asset is recoverable and an impairment is not recorded. If the carrying amount of the asset is greater than the cash flows, the asset is not recoverable and an impairment loss calculation (Step 2) is required. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the asset group. Fair value can be determined using a market approach, income approach or cost approach. The cash flow projection and fair value represents management's best estimate, using appropriate and customary assumptions, projections and methodologies at the date of evaluation. In accordance with GAAP, the reversal of impairment losses is prohibited.

Convertible Instruments

The Company evaluates and accounts for conversion options embedded in its convertible instruments in accordance with ASC 815, *Derivatives and Hedging*. ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not remeasured at fair value under otherwise applicable GAAP with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

For convertible instruments with conversion features that are not required to be accounted for as derivatives under ASC 815 or that do not result in substantial premiums accounted for as paid-in capital, the convertible debt instrument is reported as a single liability instrument with no separate accounting for embedded conversion features. The Company also records, when necessary, deemed dividends for the intrinsic value of conversion options embedded in the Preferred Shares of GH Group based upon the differences between the fair value of the underlying common stock at the commitment date of the transaction and the embedded effective conversion price. ASC 815 provides that generally, if an event that is not within the entity's control, or could require net cash settlement, then the contract shall be classified as an asset or a liability.

Revenue Recognition

Revenue is recognized by the Company in accordance with ASC 606, *Revenue from Contracts with Customers*. Through application of the standard, the Company recognizes revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. In order to recognize revenue under ASC 606, the Company applies the following five steps:

(1) Identify a customer along with a corresponding contract;

(2) Identify the performance obligation(s) in the contract to transfer goods or provide distinct services to a customer;

(3) Determine the transaction price the Company expects to be entitled to in exchange for transferring promised goods or services to a customer;

(4) Allocate the transaction price to the performance obligation(s) in the contract; and

(5) Recognize revenue when or as the Company satisfies the performance obligation(s).

Revenues consist of wholesale cannabis biomass and cannabis-related consumer packaged goods and retail sales of cannabis, which are generally recognized at a point in time when control over the goods have been transferred to the customer and is recorded net of sales discounts. Payment is typically due upon transferring the goods to the customer or within a specified time period permitted under the Company's credit policy. During the years ended December 31, 2024 and 2023, sales discounts were approximately $27.5 million and $11.9 million, respectively.

Revenue is recognized upon the satisfaction of the performance obligations. The Company satisfies its performance obligations and transfers control upon delivery and acceptance by the customer.

Dispensary Revenue

The Company recognizes revenue from the sale of cannabis products for a fixed price upon delivery of goods to customers at the point of sale since at this time performance obligations are satisfied. Fees collected related to taxes that are required to be remitted to regulatory authorities are recorded as liabilities and are not included as a component of revenues.

Cultivation and Wholesale CPG

The Company recognizes revenue from the sale of cannabis products for a fixed price upon the shipment of cannabis goods as the Company has transferred to the buyer the significant risks and rewards of ownership of the goods. The Company does not retain either continuing material involvement to the degree usually associated with ownership or effective control over the goods sold. Cannabis taxes due upon sale are recorded as a general and administrative expense in the accompanying Consolidated Statements of Operations.

Cost of Goods Sold

Cost of goods sold includes the costs directly attributable to product sales and includes amounts paid for finished goods, such as cannabis flower, edibles and concentrates, packaging and other supplies, fees for services and processing, and allocated overhead, such as allocations of rent, administrative salaries, utilities and related costs. Cost of goods sold excludes depreciation and amortization.

General and Administrative Expenses

General and administrative expenses are comprised primarily of personnel costs, including salaries, incentive compensation, benefits, and share-based compensation, professional service costs, including legal, accounting, consulting and other professional fees, and corporate insurance and other facilities costs associated with the Company's corporate offices.

Share-Based Compensation

The Company has an amended and restated equity incentive plan comprised of stock options ("Options"), unrestricted stock bonus, restricted stock units ("RSUs") and stock appreciation rights ("SARs"). Options provide the right to the purchase of one Equity Share per Option. RSUs provide the right to receive one Equity Share per unit (or cash payment equal to the fair market value of an Equity Share). SARs provide the right to receive cash from the exercise of such right based on the increase in value between the exercise price and the fair market value of the Equity Shares of the Company at the time of exercise.

The Company accounts for share-based awards in accordance with ASC 718, *Compensation – Stock Compensation*, which requires fair value measurement on the grant date and recognition of compensation expense for all share-based payment awards made to employees and directors, including restricted share awards. For stock options, the Company estimates the fair value using the Black-Scholes valuation model. When there are market-related vesting conditions to the vesting term of the share-based compensation, the Company uses a valuation model to estimate the probability of the market-related vesting conditions being met and will record the expense. The fair value of restricted share awards is based upon the quoted market price of the Equity Shares on the date of grant. The fair value is then expensed over the requisite service periods of the awards, which is generally the performance period, and the related amount is recognized in the Consolidated Statements of Operations.

Fair value models require the input of certain assumptions that require the Company's judgment, including the expected term and the expected share price volatility of the underlying share. The assumptions used in calculating the fair value of share-based compensation represent management's best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change resulting in the use of different assumptions, share-based compensation expense could be materially different in the future. In addition, the Company elected not to estimate the expected forfeiture rate and only recognize expense for those shares that actually vest.

Advertising Expenses

Advertising expenses are expensed as incurred. Advertising expenses included in sales and marketing expense were $1.0 million and $1.2 million for the years ended December 31, 2024 and 2023, respectively.

Income Taxes

Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the Consolidated Balance Sheets. Effects of enacted tax law changes on deferred tax assets and liabilities are reflected as adjustments to tax expense in the period in which the law is enacted. Deferred tax assets may be reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized.

The Company follows accounting guidance issued by the Financial Accounting Standards Board ("FASB") related to the application of accounting for uncertainty in income taxes. Under this guidance, the Company assesses the likelihood of the financial statement effect of a tax position that should be recognized when it is more likely than not that the position will be sustained upon examination by a taxing authority based on the technical merits of the tax position, circumstances, and information available as of the reporting date.

Employee Retention Tax Credits

On March 27, 2020, the U.S. government enacted the Coronavirus Aid Relief and Security Act ("CARES Act") to provide certain relief as a result of the COVID-19 pandemic. The CARES Act provides tax relief, along with other stimulus measures, including a provision for an Employee Retention Credit ("ERC"). As there is no authoritative guidance under GAAP on accounting for government assistance to for-profit business entities, the Company accounts for the ERC by analogy to International Accounting Standard ("IAS") 20, *Accounting for Government Grants and Disclosure of Government Assistance*. Since the filing of the ERCs through December 31, 2024, the Company filed with the Internal Revenue Service credits totaling $11.6 million during the year ended December 31, 2023, of which $0.4 million was received during the year ended December 31, 2024. The Company will not recognize the remaining amount of $11.2 million claimed as of December 31, 2024 until such time that it has been determined that the Company has reasonable assurance that the credits will be realized.

Loss Per Share

The Company calculates basic earnings or loss per share by dividing net earnings or loss by the weighted-average number of the Equity Shares (including the Exchangeable Shares, as defined herein, on an as-exchanged basis) outstanding during the period. Multiple Voting Shares, as defined herein, are excluded from the calculation of earnings or loss per share as they do not participate in earnings or losses. Diluted loss per share is the same as basic loss per share if the issuance of shares on the exercise of convertible debentures, contingent shares, warrants, restricted stock units and share options are anti-dilutive. Diluted earnings per share includes options, warrants, restricted stock units, and contingently issuable shares that are determined to be dilutive using the treasury stock method for all equity instruments issuable in equity units and the "if converted" method for the Company's convertible debentures. See Note 16 – Loss Per Share for further information.

Segmented Information

The Company currently operates in three reportable segments: retail, wholesale biomass and cannabis-related consumer packaged goods ("CPG"). The retail segment includes Company owned and operated retail cannabis stores in the state of California. The wholesale biomass segment includes the propagation, nursery, flowering canopy, drying, processing and distribution of cannabis biomass. The CPG segment includes the manufacturing, extraction, infusion, conversion, packaging and distribution of the Company's cannabis products. Certain economic characteristics such as production processes, types of products, classes of customers as well as distribution models differ between segments. Operating segments are defined as components of an enterprise for which separate financial information is evaluated regularly by the Chief Operating Decision Maker ("CODM"), who is the Company's chief executive officer, in deciding how to allocate resources and assess the Company's financial and operational performance. As of December 31, 2024, all of the Company's operations are in the United States of America in the State of California. Intercompany sales and transactions are eliminated in consolidation. See Note 20 - Segment Information for further information.

Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition-related transaction costs are expensed as incurred and included in the Consolidated Statements of Operations. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When the Company acquires control of a business, any previously held equity interest is also remeasured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is recognized as goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the Consolidated Statements of Operations immediately as a gain on acquisition.

Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. The Company allocates the total cost of the acquisition to the underlying net assets based on their respective estimated fair values. As part of this allocation process, the Company identifies and attributes values and estimated lives to the intangible assets acquired. These determinations involve significant estimates and assumptions regarding multiple, highly subjective variables, including those with respect to future cash flows, discount rates, asset lives, and the use of different valuation models, and therefore require considerable judgment. The Company's estimates and assumptions are based, in part, on the availability of listed market prices or other transparent market data. These determinations affect the amount of amortization expense recognized in future periods. The Company bases its fair value estimates on assumptions it believes to be reasonable but are inherently uncertain. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates, and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with ASC 450, C*ontingencies*, as appropriate, with the corresponding gain or loss being recognized in earnings in accordance with ASC 805, *Business Combinations*.

Recently Adopted Accounting Standards

ASU 2023-07

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which is intended to improve the financial reporting by requiring disclosure of incremental segment information on an annual and interim basis for all public entities. The Company adopted ASU 2023-07 beginning with its 2024 annual report. See Note 20 – Segment Information for the Company's segment disclosures.

ASU 2023-01

In March 2023, the FASB issued Accounting Standards Update ("ASU") 2023-01, *Leases (Topic 842): Common Control Arrangements*, which requires an entity to determine whether a related party arrangement between entities under common control is a lease. If the arrangement is determined to be a lease, an entity must classify and account for the lease on the same basis as an arrangement with an unrelated party (on the basis of legally enforceable terms and conditions). ASU 2023-01 also requires a lessee in a common-control lease arrangement to amortize leasehold improvements over the improvements' useful life to the common control group regardless of the lease term if the lessee continues to control the use of the underlying asset through a lease. The Company adopted ASU 2023-01 on January 1, 2024. The adoption of the standard did not have a material impact on the Company's Consolidated Financial Statements.

Recent Accounting Pronouncements Not Yet Adopted

ASU 2024-04

In November 2024, the FASB issued ASU 2024-04, *Induced Conversions of Convertible Debt Instruments*. ASU 2024-04 clarifies requirements for determining whether certain settlements of convertible debt instruments, including convertible debt instruments with cash conversion features or convertible debt instruments that are not currently convertible, should be accounted for as an induced conversion. To account for a settlement of a convertible debt instrument as an induced conversion, an inducement offer is required to provide the debt holder with, at a minimum, the consideration (in form and amount) issuable under the conversion privileges provided in the terms of the instrument. ASU 2024-04 is effective for the Company beginning in the first quarter of 2026. Early adoption is permitted. ASU 2024-04 may be applied either prospectively to any settlements of convertible debt instruments that occur after the effective date or retrospectively by recasting prior periods and recognize a cumulative-effect adjustment to equity. The Company is currently assessing the impact this standard will have on the Company's Consolidated Financial Statements.

ASU 2024-03

In November 2024, the FASB issued ASU 2024-03, *Income Statement — Reporting Comprehensive Income — Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*, which requires disclosure of specified information about certain costs and expenses including purchases of inventory, employee compensation, depreciation and intangible asset amortization for each income statement line item that contains those expenses in the notes to financial statements on an annual and interim basis. ASU 2024-03 also requires entities to include certain amounts that are required to be disclosed under existing U.S. GAAP to be included in the disaggregated income statement expense line item disclosures, disclose a qualitative description of the amounts remaining in relevant expense captions that are not separately disaggregated quantitatively and disclose the amount of selling expenses and the entity's definition of selling expenses. ASU 2024-03 is effective for the Company beginning with the 2027 annual report. Early adoption is permitted. ASU 2024-03 may be applied either prospectively to financial statements issued for reporting periods after the effective date or retrospectively to any or all prior periods presented in the financial statements. The Company is currently assessing the impact this standard will have on the Company's Consolidated Financial Statements.

ASU 2023-09

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*, which requires annual disclosures of specific categories in the rate reconciliation, additional information for reconciling items that meet a quantitative threshold and a disaggregation of income taxes paid, net of refunds. ASU 2023-09 also eliminates certain existing disclosure requirements related to uncertain tax positions and unrecognized deferred tax liabilities. ASU 2023-09 is effective for the Company beginning with the 2025 annual report. Early adoption is permitted. ASU 2023-09 should be applied prospectively. Retrospective adoption is permitted. The Company is currently assessing the impact this standard will have on the Company's Consolidated Financial Statements.

3. CONCENTRATIONS OF BUSINESS AND CREDIT RISK

The Company maintains cash balances at its physical locations, which are not currently insured, and with various U.S. banks and credit unions with balances in excess of the Federal Deposit Insurance Corporation and National Credit Union Share Insurance Fund limits, respectively. The failure of a bank or credit union where the Company has significant deposits could result in a loss of a portion of such cash balances in excess of the insured limit, which could materially and adversely affect the Company's business, financial condition and results of operations. As of December 31, 2024 and 2023, the Company has not experienced any losses with regards to its cash balances.

The Company provides certain credit terms in the normal course of business to customers located throughout California. The Company performs ongoing credit evaluations of its customers and maintains allowances for doubtful accounts based on factors surrounding the credit risk of specific customers, historical and projected future trends and other information. For the years ended December 31, 2024 and 2023, there was one customer that comprised 18% and 21%, respectively, of the Company's revenues. Revenue for the customer is included in the Company's wholesale biomass segment. As of December 31, 2024 and 2023, the customer had a balance due to the Company of $1.1 million and $0.7 million, respectively.

4. INVENTORY

Inventory consists of the following (in thousands):

	As of December 31,	
	2024	2023
Raw Materials	$ 2,913	$ 1,192
Work-in-Process	4,572	3,327
Finished Goods	6,767	4,321
Total Inventory	**$ 14,252**	**$ 8,840**

5. INVESTMENTS

The Company has various investments in entities in which it holds a significant but non-controlling interest through voting equity or through representation on the entities' board of directors or equivalent governing bodies. Accordingly, the Company was deemed to have significant influence resulting in the Company accounting for these investments under the equity method (in thousands):

	LOB Group, Inc.	5042 Real Estate Investment, LLC	Reeform, LLC	Lompoc TIC, LLC	TOTAL
Balance December 31, 2022	**$ 2,303**	**$ 1,780**	**$ —**	**$ 163**	**$ 4,246**
Additions	—	—	183	—	183
Gain (Loss) on Equity Method Investments	(2,303)	191	(19)	29	(2,102)
Balance December 31, 2023	**—**	**1,971**	**164**	**192**	**2,327**
Gain (Loss) on Equity Method Investments	—	194	(164)	(16)	14
Balance at December 31, 2024	**$ —**	**$ 2,165**	**$ —**	**$ 176**	**$ 2,341**

During the years ended December 31, 2024 and 2023, the Company recorded a net gain and a net loss, respectively, from equity method investments of $14 thousand and $2.1 million, respectively. Equity investments are classified as Level 3 investments in the fair value hierarchy. These investments are recorded at the amount of the Company's initial investment and adjusted for the Company's share of the investee's income or loss and dividends paid.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following (in thousands):

	As of December 31,	
	2024	**2023**
Land	$ 70,888	$ 70,888
Buildings	154,039	143,207
Furniture and Fixtures	1,483	827
Leasehold Improvements	15,574	14,680
Equipment and Software	11,094	9,498
Construction in Progress	6,456	10,166
Total Property, Plant and Equipment	259,534	249,266
Less Accumulated Depreciation and Amortization	(47,282)	(33,580)
Property, Plant and Equipment, Net	**$ 212,252**	**$ 215,686**

Construction in progress represents assets under construction for cultivation not yet ready for use. During the years ended December 31, 2024 and 2023, the Company recorded depreciation expense of $14.3 million and $13.5 million, respectively. The amount of amortization recognized for finance leases during the years ended December 31, 2024 and 2023 was $0.6 million and $0.3 million, respectively, see Note 12 – Leases for further information. During the years ended December 31, 2024 and 2023, the Company capitalized interest to property and equipment of nil and $0.3 million, respectively.

7. ASSET ACQUISITION

NHC Turlock, LLC

On April 21, 2023, the Company completed the acquisition of NHC Turlock, LLC, a California retail dispensary, through GHG-NHC Turlock Inc., a wholly-owned subsidiary of the Company. Pursuant to the terms of the merger agreement, calculation and payment of consideration for the acquisition of NHC Turlock was to occur at the end of its sixth full quarter of operations ("Turlock Earnout Date"), at twenty-four times its annualized EBITDA in that quarter ("Turlock Contingent Consideration") offset by the amount owed by the seller of NHC Turlock to the Company under a note receivable. As of the date of acquisition, the fair value of the Turlock Contingent Consideration was determined to be nil based on the Company's forecasts of future EBITDA, and as a result, the total consideration was estimated to be the balance of a note receivable of $1.6 million. The Company recorded $0.3 million in inventory and $1.3 million of intangible assets for NHC Turlock's cannabis license and assumed the lease related to this entity. At the Turlock Earnout Date during the three months ended December 30, 2024, it was determined that the Contingent Consideration payment threshold was not met.

The Company analyzed the transaction under ASC 805, *Business Combinations*, and determined that it did not meet the criteria of a business and accounted for the transaction as an asset acquisition. At the acquisition date for NHC Turlock, the Company determined that NHC Turlock's cannabis license was fully impaired and recorded an impairment expense for intangible assets of $1.3 million for year ended December 31, 2023. See Note 8 – Intangible Assets for further information.

8. INTANGIBLE ASSETS

Intangible assets consist of the following (in thousands):

	As of December 31,	
	2024	**2023**
Definite Lived Intangible Assets		
Customer Relationships	$ 587	$ 587
Intellectual Property	4,777	4,777
Total Definite Lived Intangible Assets	5,364	5,364
Less Accumulated Amortization	(3,034)	(2,321)
Definite Lived Intangible Assets, Net	2,330	3,043
Indefinite Lived Intangible Assets		
Cannabis Licenses	11,870	18,170
Total Indefinite Lived Intangible Assets	11,870	18,170
Total Intangible Assets, Net	**$ 14,200**	**$ 21,213**

During the years ended December 31, 2024 and 2023, the Company recorded amortization expense related to intangible assets of $0.7 million and $1.1 million, respectively.

During the year ended December 31, 2024, the Company recognized $6.3 million of other than temporary impairment in its cannabis licenses related to its retail reportable segment as a result of updated earnings projections for unforeseen changes in the market from more than expected retail competition.

During the year ended December 31, 2023, the Company recognized $9.4 million of other than temporary impairment in its cannabis licenses related to its retail reportable segment that were identified as part of the annual impairment assessment as of December 31, 2023 as a result of unforeseen changes in the market from more than expected retail competition in the latter half of calendar 2023. During the year ended December 31, 2023, the Company recognized $2.0 million and $3.5 million of other than temporary impairment in customer relationships and intellectual property, respectively, related to its consumer packaged goods reportable segment as a result of updated earnings projections for unforeseen changes in market demand in the consumer packaged goods market.

The following is the future minimum amortization expense to be recognized for the years ended December 31 (in thousands):

2025	$ 723
2026	603
2027	470
2028	123
2029	123
Thereafter	288
Total Future Amortization Expense	**$ 2,330**

9. GOODWILL

As of December 31, 2024 and 2023, goodwill was nil for each period. There was no activity for goodwill for the year ended December 31, 2024. The following are activities for goodwill for the year ended December 31, 2023 (in thousands):

Balance December 31, 2022	$	37,798
Measurement Period Adjustments		114
Impairments During the Year		(37,912)
Balance December 31, 2023	**$**	**—**

During the year ended December 31, 2023, management noted indications of impairment on the goodwill of its retail reportable segment and recorded an impairment expense of $23.8 million as a result of unforeseen changes in the market from more than expected retail competition. During the year ended December 31, 2023, management noted indications of impairment on the goodwill of its consumer packaged goods reportable segment and recorded an impairment expense of $14.1 million as a result of unforeseen changes in market demand in the consumer packaged goods market.

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consisted of the following (in thousands):

	As of December 31,			
	2024		**2023**	
Accounts Payable	$	8,688	$	5,540
Accrued Liabilities		14,409		13,123
Accrued Payroll and Related Liabilities		4,058		5,351
Sales Tax and Cannabis Taxes		3,973		2,918
Total Accounts Payable and Accrued Liabilities	**$**	**31,128**	**$**	**26,932**

The Company offers a customer loyalty rewards program that allows members to earn discounts on future purchases. Unused discounts earned by loyalty rewards program members are included in accrued liabilities and recorded as a sales discount at the time a qualifying purchase is made. The value of points accrued as of December 31, 2024 and 2023, was approximately $0.4 million and $1.1 million, respectively.

11. CONTINGENT SHARES PAYABLE AND EARNOUT LIABILITIES

Activity related to the contingent shares and earnout liabilities consisted of the following (in thousands):

Balance at December 31, 2022	**$**	**14,657**
Contingent Shares Issued for Plus Products Acquisition		(4,446)
Change in Fair Value of Contingent Liabilities		24,378
Balance at December 31, 2023		**34,589**
Change in Fair Value of Contingent Liabilities		(14,324)
Balance at December 31, 2024	**$**	**20,265**

Contingent Earnout – Mercer Park Business Combination

On June 29, 2021, Mercer Park, a special purpose acquisition corporation (or "SPAC") listed on the NEO Exchange Inc. (currently, Cboe Canada) in Canada, consummated its qualifying transaction (the "Mercer Park Business Combination") pursuant to the terms of an Agreement and Plan of Merger dated as of April 8, 2021, as amended (the "Mercer Park Business Combination Agreement"), pursuant to which Mercer Park indirectly acquired 100% of the common equity interests of GH Group. The Business Combination was effectuated by a reverse merger of an indirect subsidiary of Mercer Park with GH Group, with GH Group as the surviving entity that became a majority-owned indirect subsidiary of the Company.

Upon closing of the Mercer Park Business Combination, 1,008,975 Equity Shares issued to the sponsor of Mercer Park were locked up by the Company. These Equity Shares were to be released from the lock-up restrictions based upon the amount of cash raised by the Company from certain debt and equity financings through June 2023. During the year ended December 31, 2021, the Company released 392,819 Equity Shares that were originally subject to lock-up restrictions. In accordance with ASC 480, *Distinguishing Liabilities from Equity*, management determined the provisions of these earnouts required liability treatment. Accordingly, the remaining 616,156 Equity Shares were subject to a capital-based earnout of permitted debt or equity financings within one year following closing. During the year ended December 31, 2023, the Company determined the criteria applicable to the sponsor earnout liability related to the Mercer Park Business Combination was not satisfied at the expiration of the earnout period and recorded a decrease in fair value of $1.2 million included in (gain) loss on change in fair value of contingent liabilities and shares payable on the Consolidated Statements of Operations.

Additional earnout payments consisting of up to an additional 6,306,095 Equity Shares were issuable to the previous sponsor of Mercer Park and all holders of record of the Equity Shares, the Exchangeable Shares, vested stock options and vested RSUs as of December 31, 2022 in the event the 20-day VWAP of the Equity Shares reached $13.00 or $15.00 within two years of closing of the Business Combination. In accordance with ASC 480, management determined the provisions of this earnout did not require liability treatment. During the year ended December 31, 2023, the Company determined that the Equity Share price targets were not met and no Equity Shares were issued in connection with this earnout.

Contingent Earnout – Camarillo Transaction

During the year ended December 31, 2021, the Company purchased certain real property in Camarillo, California (the "Camarillo Transaction"). As a consideration for the option right to purchase certain real property in conjunction with the Camarillo Transaction (the "Option Right"), the Company is obligated to pay a contingent earnout fee of up to $75 million, payable in Equity Shares, if certain conditions and financial metrics are met. The contingent consideration is classified as a Level 3 investment in the fair value hierarchy. The value of the contingent consideration is based upon the potential earn-out of the facilities' adjusted earnings during the earnout period and is measured at fair value using a discounted cash flow model that is based on unobservable inputs. As of December 31, 2024 and 2023, the fair value of the contingent earnout was nil and $18.1 million, respectively, and included as a component of contingent shares and earnout liabilities in the accompanying Consolidated Balance Sheets. The decrease in fair value of $18.1 million and increase in fair value of $14.0 million during the years ended December 31, 2024 and 2023, respectively, were included in (gain) loss on change in fair value of contingent liabilities and shares payable on the Consolidated Statements of Operations. During the year ended December 31, 2023, due to the improvement in the Company's operations at the facility, the Company determined the potential earnings had significantly increased and as a result increased the fair value of the earnout liability. During the year ended December 31, 2024, due to a decrease in the projected financial metrics related to the Company's operations at the facility, the Company reduced the fair value of the earnout liability.

Contingent Shares – Camarillo Transaction

As additional consideration for the Option Right, the Company issued 6,500,000 Equity Shares upon the closing of the Camarillo Transaction. The Company allocated the fair value of the Option Right to the assets acquired upon its exercise in September 2021. In addition to the Equity Shares issued for the Option Right, the Company is obligated to issue up to 3,500,000 Equity Shares as a contingent payment, which are subject to certain conditions and events following closing. The contingent shares are classified as Level 3 investments in the fair value hierarchy. The value of the contingent consideration is based upon the value of the Company's Equity Shares, the probability of future events occurring and other unobservable inputs. As of December 31, 2024 and 2023, the fair value of the contingent payment was $20.3 million and $16.5 million, respectively, and included as a component in contingent shares and earnout liabilities in the accompanying Consolidated Balance Sheets. The Company recorded increases in fair value of $3.7 million and $9.7 million during the years ended December 31, 2024 and 2023, respectively, included in (gain) loss on change in fair value of contingent liabilities and shares payable on the Consolidated Statements of Operations.

Contingent RSUs – Plus Products

On April 28, 2022, the Company completed an acquisition of 100% of the equity interests in Plus Products Holdings, Inc. ("Plus Products"), a leading cannabis edibles company located in California. Pursuant to the terms of the acquisition agreement, the Company issued 1,300,000 RSUs contingent on revenue earnout provisions. The Company allocated the fair value of the contingent RSUs to the net assets acquired upon the closing of the transaction. During the year ended December 31, 2023, the Company recorded an increase in fair value of $1.9 million included in (gain) loss on change in fair value of contingent liabilities and shares payable on the Consolidated Statements of Operations, reclassified $4.4 million of contingent shares payable to additional paid-in-capital and issued Equity Shares as final settlement of the share payable contractual requirement. See Note 14 – Shareholders' Equity for further discussion.

12. LEASES

The Company leases buildings which it uses for corporate purposes and the production and sale of cannabis products. In accordance with ASC 842, lease liability is initially measured at the present value of total lease payments, discounted using a discount rate set to the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company uses an estimated incremental borrowing rate. Total lease payments are comprised of (i) fixed lease payments less any incentives; (ii) variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date; (iii) the amount expected to be payable by the lessee under residual value guarantees; (iv) the exercise of purchase options, if the lessee is reasonably certain to exercise the options; (v) payments of penalties for early termination of a lease unless the Company is reasonably certain not to terminate early. The incremental borrowing rate is determined using estimates which are based on the information available at commencement date.

An ROU asset is measured at the initial amount of the lease liability, plus initial direct costs and lease payments at or before the commencement date, less any lease incentives received.

Operating leases may contain renewal options that provide for rent increases based on prevailing market conditions. The terms used to calculate the ROU assets for these properties include the renewal options that the Company is reasonably certain to exercise. Both ROU assets and lease liabilities exclude variable payments not based on an index or rate, which are treated as period costs. The Company's lease agreements do not contain significant residual value guarantees, restrictions or covenants. For finance leases, lease costs are comprised of straight-line amortization of the ROU asset and the interest portion of lease payments which are recorded to depreciation and amortization and interest expense, respectively, on the Consolidated Statements of Operations. Finance lease ROU assets are amortized based on the lesser of the lease term and the useful life of the leased asset according to the capital asset accounting policy. If ownership of the ROU assets transfers to the Company at the end of the lease term or if the Company is reasonably certain to exercise a purchase option, amortization is calculated using the estimated useful life of the leased asset.

The following table presents components of lease cost (in thousands):

	Year Ended December 31,	
	2024	**2023**
Finance Lease Cost:		
Amortization of Finance Lease Right-of-Use Assets	$ 603	$ 293
Interest on Lease Liabilities	258	159
Operating Lease Cost	2,563	2,441
Short-Term Lease Costs	1,217	1,149
Total Lease Expenses	**$ 4,641**	**$ 4,042**

Additional information related to the Company's leases is as follows (in thousands, except lease term and discount rate):

	Year Ended December 31,	
	2024	**2023**
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Finance Leases	$ 252	$ 148
Operating Cash Flows from Operating Leases	$ 2,501	$ 2,333
Financing Cash Flows from Finance Leases	$ 478	$ 284
Non-Cash Additions to Right-of-Use Assets and Lease Liabilities:		
Recognition of Right-of-Use Assets for Finance Leases	$ 1,293	$ 1,910
Recognition of Right-of-Use Assets for Operating Leases	$ 825	$ —
Weighted-Average Remaining Lease Term (Years) - Finance Leases	3	4
Weighted-Average Remaining Lease Term (Years) - Operating Leases	6	7
Weighted-Average Discount Rate - Finance Leases	12.03 %	11.00 %
Weighted-Average Discount Rate - Operating Leases	11.60 %	11.46 %

Future minimum lease payments under non-cancelable finance and operating leases for each of the following years were as follows (in thousands):

	Operating Leases		Finance Leases	
December 31:	**Third Parties**	**Related Parties**	**Third Parties**	**Total**
2025	$ 1,399	$ 1,015	$ 1,095	$ 3,509
2026	1,373	664	892	2,929
2027	1,127	681	705	2,513
2028	537	699	229	1,465
2029	542	717	1	1,260
Thereafter	1,059	1,791	1	2,851
Total Future Minimum Lease Payments	6,037	5,567	2,923	14,527
Less: Imputed Interest	(1,559)	(1,620)	(346)	(3,525)
Present Value of Lease Liability	**4,478**	**3,947**	**2,577**	**11,002**
Less: Current Portion of Lease Liability	(926)	(639)	(889)	(2,454)
Present Value of Lease Liability, Net of Current Portion	**$ 3,552**	**$ 3,308**	**$ 1,688**	**$ 8,548**

On September 14, 2021, the Company entered into an agreement to lease out a portion of its real property at approximately $500 thousand per month for 36 months. However, lease payments to the Company are abated if certain contingencies were met by the lessee. During the year ended December 31, 2024, such contingencies were expected to be met, and as a result, no rental income was recognized by the Company.

The Company leases certain business facilities from related parties and third parties under non-cancellable operating lease agreements that specify minimum rentals. The operating leases require monthly payments ranging from $800 to $56,000 and expire through November 2032. Certain lease monthly payments may escalate up to 5.0% each year. In such cases, the variability in lease payments is included within the current and noncurrent operating lease liabilities.

13. NOTES PAYABLE AND CONVERTIBLE DEBENTURES

Notes payable consisted of the following (in thousands):

	As of December 31,	
	2024	**2023**
Term loan payable maturing in November 30, 2026, bearing interest at 12 percent and 10 percent, respectively, per annum	$ 41,875	$ 49,375
Convertible Debentures	16,006	16,006
Other	378	435
Total Notes Payable	58,259	65,816
Less: Unamortized Debt Issuance Costs and Loan Origination Fees	(63)	(1,753)
Net Amount	58,196	64,063
Less Current Portion of Notes Payable	(7,644)	(7,550)
Notes Payable, Net of Current Portion	**$ 50,552**	**$ 56,513**

Senior Secured Credit Agreement

On December 9, 2021 (the "Senior Secure Closing Date"), the Company entered into a senior secured term loan agreement, as amended (the "Credit Agreement"), for total available proceeds of up to $100 million with funds managed by a U.S.-based private credit investment fund and other participating third-party lenders (together, the "Senior Secured Lender"). Effective December 10, 2021, the Company closed on an initial term loan through the Credit Agreement of $50 million. Beginning 24 months following the Senior Secure Closing Date, the principal amount is repaid in monthly installments in an aggregate amount equal to 1.25% per annum of the original principal amount through the November 30, 2026 maturity date. Beginning on December 31, 2021, interest is paid in monthly installments equal to the floating base rate plus the applicable term margin, or 5.25%. The interest rate will not be less than 10% per annum or exceed 12% per annum. As of December 31, 2024 and 2023, the interest rate was 12% and 10%, respectively.

The Company has optional and mandatory prepayments. Mandatory prepayments include any voluntary and involuntary sale or disposition of assets by the Company or any restricted subsidiaries. The outstanding principal amount of the obligation will be repaid by 100% of cash proceeds received from the sale or disposition of assets with certain exemptions as defined in the Credit Agreement. As of the Senior Secure Closing Date, the Company deposited an interest reserve in the amount of $3 million into an escrow account, which is included as restricted cash in the Consolidated Balance Sheets as of December 31, 2024 and 2023. Additionally, the Company's equity interests held in its subsidiaries, including, without limitation, in Glass House Farm LLC, Magu Farm LLC and GH Camarillo LLC, which subsidiaries hold title to the Company's real property, were pledged as security.

The Credit Agreement contains a financial covenant which requires the Company to maintain liquidity in excess of $10 million at all times. As of December 31, 2024 and 2023, the Company was in compliance with such financial covenant. Additionally, there are certain covenants which require the Company to maintain a specific minimum debt service coverage ratio (the "DSCR") measured quarterly beginning with the quarter ending December 31, 2022.

Amendments to the Senior Secured Credit Agreement

On January 21, 2022, the Company amended and restated the Credit Agreement (the "1st Amendment") wherein certain events of default were waived by the Senior Secured Lender.

On May 12, 2022, the Company amended and restated the Credit Agreement (the "2nd Amendment") wherein certain events of default were waived by the Senior Secured Lender, and the Company entered into an incremental term loan in the amount of $10 million (the "Incremental Term Loan"), for total available proceeds of $110 million payable in monthly installments at an interest rate of 10% per annum. In addition, a 1% fee of the outstanding principal amount of the Incremental Term Loan was payable in monthly installments beginning August 1, 2022, with a maturity date through October 31, 2022. In connection with the Incremental Term Loan, the Company issued 175,000 warrants to the Senior Secured Lender, with an exercise price of $11.50 per share, to acquire Equity Shares until June 26, 2026. The fair value of the warrants were determined using Level 1 inputs as these warrants are openly traded on a stock exchange. During the year ended December 31, 2022, the Company recorded an additional debt discount of $89 thousand related to the change in terms of the Credit Agreement. In addition to receiving the $10 million in Incremental Term Loan, the Company paid $0.6 million in direct loan fees, which were recorded as a debt discount.

On August 30, 2022, the Company fully repaid the $10 million Incremental Term Loan in cash. In accordance with ASC 470-50, *Modifications and Extinguishments*, the Company recorded $0.5 million of unamortized debt discount as a loss on extinguishment of debt during the year ended December 31, 2022.

In March 2023, the Company entered into an amendment to the Credit Agreement by which the Senior Secured Lender waived and deferred enforcement of certain covenants which require the Company to maintain the DSCR beginning with the quarter ending on June 30, 2023. As of December 31, 2024, the Company was in compliance with the DSCR covenant. In connection with the amendment to the Credit Agreement, the Company paid an amount equal to 2% of the aggregate principal amount of the loan outstanding as of August 1, 2023. The Company recognized amendment fees of $1.0 million as other expense and paid such fee on July 27, 2023.

On February 23, 2024, the Company entered into Amendment Number Five to Credit Agreement, Waiver, and Consent with the Senior Secured Lender to among other things approve of the GH Group Series C Preferred and GH Group Series D Preferred offerings and to amend the Credit Agreement to change the Minimum EBITDA requirement to have an annualized EBITDA of $20.0 million for the fiscal quarter period ending December 31, 2023, a Last Twelve Month ("LTM") EBITDA of $20.0 million for the fiscal quarter periods ending March 31, 2024 and June 30, 2024, and a LTM EBITDA of $22.5 million for each month ending on July 31, 2024 and for each month ending thereafter. As of December 31, 2024, the EBITDA requirements have been met.

On February 28, 2025, the Company used proceeds from the Senior Secured Credit Facility (as defined in Note 21 – Subsequent Event) to repay the remaining balance of the Credit Agreement term loan in the amount of $40.6 million plus fees. See Note 21 – Subsequent Event for further information.

Senior Secured Credit Facility

On February 28, 2025, the Company entered into a senior secured credit facility for an aggregate principal amount of $50 million. See Note 21 – Subsequent Event for further information.

Convertible Debentures

On April 28, 2022, the Company completed the Plus Products acquisition in which the purchase price was payable in part through an aggregate of 20,005 unsecured convertible debenture notes which consist of 12,003 debenture notes (the "Series A Notes") and 8,002 debenture notes (the "Series B Notes") (collectively, the "Plus Convertible Notes"). The Plus Convertible Notes accrue interest at 8.00% per annum payable in semi-annual arrears until April 15, 2027 (the "Maturity Date"). Interest is payable in cash, by the issuance of the Company's Equity Shares or a combination of both at the sole discretion of the Company, based on the 10-day VWAP of the Equity Shares ending 5 trading days prior to the interest payment date with a fixed exchange rate of USD $1.00 to CAD $1.27.

The Series A Notes are redeemable, at the sole option of the Company, in full or in part on a pro rata basis, and payable in cash, by the issuance of the Company's Equity Shares, or a combination of both, at any time through the Maturity Date based on the higher of (i) the 10-day VWAP of the Equity Shares ending 5 trading days prior to the redemption date, or (ii) CAD $4.08.

The Series B Notes are redeemable, at the sole option of the Company, in full or in part on a pro rata basis, and payable in cash, by the issuance of the Company's Equity Shares, or a combination of both, at any time through the Maturity Date based on the lower of (i) the 10-day VWAP of the Equity Shares ending 5 trading days prior to the redemption date, or (ii) $10.00 per Equity Share. In the event the Company's Equity Shares achieve a closing price of $10.00 per share over any period greater than or equal to 20 consecutive trading days, each holder of the Series B Notes may elect to convert all or a portion of their holdings into the Company's Equity Shares based on a conversion price of $10.00 per Equity Share. As of December 31, 2024, the balance of $11.9 million and $4.1 million for the Series A Notes and Series B Notes, respectively remain outstanding. The conversion features of the Series A Notes and Series B Notes were bifurcated from the related notes and classified as derivatives due to the variability of price in accordance with ASC 815. Accordingly, the fair value of the conversion features for the Series A Notes and Series B Notes were measured at fair value using a binomial lattice model that is based on unobservable inputs and are classified as Level 3 investments in the fair value hierarchy. During the years ended December 31, 2024 and 2023, the Company recorded a change in derivative asset of approximately $(690) thousand and $28 thousand, respectively, as a component of (gain) loss on change in fair value of derivative asset in the Consolidated Statements of Operations. As of December 31, 2024 and 2023, fair value of the derivative instruments was $883 thousand and $193 thousand, respectively, included in other assets in the Consolidated Balance Sheets.

Scheduled maturities of notes payable for each of the following years were as follows (in thousands):

December 31:		Principal Payments
2025	$	7,556
2026		34,436
2027		16,267
Total Future Minimum Principal Payments	**$**	**58,259**

14. SHAREHOLDERS' EQUITY

As of December 31, 2024 and 2023, the authorized share capital of the Company was comprised of an unlimited number of (i) Subordinate Voting Shares, (ii) Restricted Voting Shares, (iii) Limited Voting Shares, (iv) Multiple Voting Shares and (v) Preferred Shares.

Multiple Voting Shares

The Company is authorized to issue an unlimited number of Multiple Voting Shares without nominal or par value. Holders of Multiple Voting Shares are entitled to receive notice of any meeting of shareholders of the Company, and to attend, vote and speak at such meetings, except those meetings at which only holders of a specific class of shares are entitled to vote separately as a class under the *Business Corporations Act* (British Columbia). On all matters upon which holders of Multiple Voting Shares are entitled to vote, each Multiple Voting Share entitles the holder thereof to 50 votes per Multiple Voting Share. Multiple Voting Shares are not entitled to dividends and are not convertible. The Multiple Voting Shares had a three (3)-year sunset period that would have expired on June 29, 2024. At the annual general and special meeting of the shareholders of the Company held on June 23, 2023, shareholders passed a special resolution to amend the Articles to extend the "sunset" date for the Multiple Voting Shares to June 29, 2027, upon which they will be automatically redeemed for $0.001 per Multiple Voting Share.

Equity Shares

The holders of each class of Equity Shares are entitled to receive notice of, to attend (if applicable, virtually) and to vote at all meetings of shareholders of the Company, except that they are not able to vote (but are entitled to receive notice of, to attend and to speak) at those meetings at which the holders of a specific class are entitled to vote separately as a class under the *Business Corporations Act* (British Columbia) and except that holders of Limited Voting Shares are not entitled to vote for the election of directors of the Company. The Subordinate Voting Shares and Restricted Voting Shares carry one vote per share on all matters. The Limited Voting Shares carry one vote per share on all matters except the election of directors, as the holders of Limited Voting Shares do not have any entitlement to vote in respect of the election for directors of the Company.

In the case of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Equity Shares are entitled, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Equity Shares (including any liquidation preference on any issued and outstanding Multiple Voting Shares and/or Preferred Shares), to participate ratably in the Company's remaining property along with all holders of the other classes of Equity Shares (on a per share basis).

Exchangeable Shares of MPB Acquisition Corp.

Exchangeable Shares are part of the authorized share capital of MPB Acquisition Corp. ("MPB"), a wholly-owned subsidiary of the Company, which entitle their holders to rights that are comparable to those rights attached to the Equity Shares. The Exchangeable Shares carry one vote per share, and the aggregate voting power of the Exchangeable Shares must not exceed 49.9% of the total voting power of all classes of shares of MPB. Until a holder exchanges its Exchangeable Shares for Equity Shares, the holder of such Exchangeable Shares will not have the right to vote at meetings of the shareholders of the Company, though it will have the right to vote at meetings of the shareholders of MPB, including with respect to altering the rights of holders of any of the Exchangeable Shares, or if MPB decides to take certain actions without fully protecting the holders of any of the Exchangeable Shares, or as otherwise required by law. The Exchangeable Shares are exchangeable at any time, on a one-for-one basis, for the Equity Shares at the option of the holder.

The Company treats the Exchangeable Shares as options, each with a value equal to an Equity Share, which represents the holder's claim on the equity of the Company. Pursuant to the terms of the Exchangeable Shares, the Company and MPB are required to maintain the economic equivalency of such Exchangeable Shares with the publicly traded Equity Shares of the Company. This means the Exchangeable Shares are required to share the same economic benefits and retain the same proportionate ownership in the assets of the Company as the holders of the Equity Shares. The Company has presented these Exchangeable Shares as a part of shareholders' equity within these Consolidated Financial Statements due to (i) the fact that they are economically equivalent to the Equity Shares, and (ii) the holders of the Exchangeable Shares are subject to restrictions on transfer under U.S. securities laws but may dispose of the Exchangeable Shares without such restriction by exchanging them for Equity Shares. Changes in these assumptions would affect the presentation of the Exchangeable Shares from shareholders' equity to non-controlling interests; however, there would be no impact on earnings per share.

Preferred Shares of GH Group, Inc.

The authorized total number of preferred shares (the "GH Group Preferred Shares") of GH Group is 50,000,000 of which 45,000,000 shares were designated as shares of Series A Preferred Stock ("GH Group Series A Preferred"), 55,000 shares are designated as shares of Series B Preferred Stock ("GH Group Series B Preferred"), 5,000 shares are designated as shares of Series C Preferred Stock ("GH Group Series C Preferred") and 15,000 shares are designated as shares of Series D Preferred Stock ("GH Group Series D Preferred"). GH Group Series A Preferred shares were fully redeemed or converted prior to December 31, 2022 and are no longer outstanding. Holders of the GH Group Preferred Shares are entitled to receive notice of and attend any meeting of the shareholders of GH Group but are not entitled to vote. The GH Group Preferred Shares do not carry any voting rights and are not convertible. In the event of a liquidation, voluntary or involuntary, dissolution or winding-up of GH Group, the holders of outstanding GH Group Preferred Shares are entitled to be paid out of the assets of GH Group available for distribution to it stockholders, before any payment shall be made to the holders of GH Group common stock, of which holders of GH Group Series B Preferred are to receive payment prior to holders of GH Group Series C Preferred and GH Group Series D Preferred. GH Group has the right to redeem all or a portion of the GH Group Preferred Shares from a holder for an amount equal to the liquidation value and all unpaid accrued and accumulated dividends.

The GH Group Series B Preferred and the GH Group Series C Preferred carry a 20% cumulative dividend rate, which increases by 2.5% annually after the second anniversary and until the 54-month anniversary of the initial issuance. The GH Group Series D Preferred carry a 15% cumulative dividend rate, which increases by 5% following the fifth anniversary of the original issuance. Dividends are payable if and when declared by GH Group's board of directors.

There were 49,969 shares of the GH Group Series B Preferred issued and outstanding as of December 31, 2024 and 2023; there were 5,000 shares of the GH Group Series C Preferred issued and outstanding as of December 31, 2024 and 2023; and there were 15,000 shares of the GH Group Series D Preferred issued and outstanding as of December 31, 2024 and 2023. In accordance with the provisions above, the Company recorded dividends to the holders of the GH Group Preferred Shares in the amount of $16.0 million and $12.7 million for the years ended December 31, 2024 and 2023, respectively.

At-The-Market Program

The Company commenced the at-the-market distribution program (the "ATM Program") in December 2024 by means of a prospectus supplement dated December 2, 2024 (the "Prospectus Supplement") to its short form base shelf prospectus dated May 16, 2024 (the "Shelf Prospectus") with the securities regulatory authorities in all provinces and territories of Canada in connection with the ATM program. The ATM Program is pursuant to the terms of an equity distribution agreement dated November 13, 2024 (the "Equity Distribution Agreement") with ATB Securities Inc. and Canaccord Genuity Corp., pursuant to which, the Company may from time to time sell up to $25 million of its Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares (collectively, the "Equity Shares") under the ATM Program.

Non-Controlling Interests

Non-controlling interests represent equity interests owned by parties that are not shareholders of the ultimate parent. The share of net assets attributable to non-controlling interests is presented as a component of equity. Their share of net income or loss is recognized directly in equity. Changes in the parent company's ownership interest that do not result in a loss of control are accounted for as equity transactions.

The Company recorded income attributable to a non-controlling interest during the years ended December 31, 2024 and 2023, of $202 thousand and $209 thousand, respectively. The value of the equity issuances issued to non-controlling interest members were determined using the estimated fair value of the equity of the Company.

Share and Equity Transactions During the Year Ended December 31, 2023

During the year ended December 31, 2023, the Company through its subsidiary, GH Group, closed on a private placement financing of 300 GH Group Series C Preferred Shares with an aggregate face value of $300 thousand. In conjunction with these transactions, the Company issued 60,000 Company warrants. The warrants have an exercise price of $5.00 per warrant which expire in August 2027. The Company recorded the fair value of the Series C Preferred Shares in the amount of $216 thousand, which is net of the value allocated to the newly issued warrants of $84 thousand. The Series C Preferred Shares are accounted for as mezzanine non-controlling interest as the Series C Preferred Shares redemption feature is not in the sole control of the Company. The Series C Preferred Shares were accreted by accrued but unpaid dividends and were therefore adjusted to their redemption value as of December 31, 2023 with an adjustment of $84 thousand.

During the year ended December 31, 2023, the Company issued 1,300,006 Equity Shares in relief of the shares payable as contractually required. Accordingly, the Company reclassified $4.4 million of shares payable to equity. See Note 11 – Contingent Shares Payable and Earnout Liabilities for further disclosure.

During the year ended December 31, 2023, the Company issued 271,063 shares in payment of $1.3 million of accrued interest on convertible debentures.

During the year ended December 31, 2023, the Company through its subsidiary, GH Group, closed on a private placement financing of 15,000 GH Group Series D Preferred Shares with an aggregate face value of $15 million. In conjunction with these transactions, the Company issued 3,000,000 Company warrants. The warrants have an exercise price of $6.00 per warrant and expire in August 2028. The Company recorded the fair value of the Series D Preferred Shares in the amount of $9.3 million, which is net of the value allocated to the newly issued warrants of $5.7 million. The Series D Preferred Shares are accounted for as mezzanine non-controlling interest as the Series D Preferred Shares redemption feature is not in the sole control of the Company. The Series D Preferred Shares were accreted by accrued but unpaid dividends and were therefore adjusted to their redemption value as of December 31, 2023 with an adjustment of $5.7 million.

Share and Equity Transactions During the Year Ended December 31, 2024

During the year ended December 31, 2024, the Company issued 190,575, 107,379 and 167,843 Equity Shares in relief of deferred Equity Shares payable as contractually required for the fiscal year 2022 acquisitions of Natural Healing Center, LLC, NHC Lemoore, LLC and NHC-MB LLC, respectively. Accordingly, the Company reclassified $3.8 million of shares payable to equity.

During the year ended December 31, 2024, the Company issued 135,489 Equity Shares valued at $0.3 million to various individuals for the exercise of warrants.

During the year ended December 31, 2024, certain holders of Exchangeable Shares exchanged 1,937,049 Exchangeable Shares for 1,936,085 Equity Shares.

During the year ended December 31, 2024, the Company issued 2,603,040 Equity Shares to various individuals for the conversion of Restricted Stock Units.

During the year ended December 31, 2024, the Company issued 838,398 Equity Shares valued at $1.9 million to various individuals for the exercise of stock options.

During the year ended December 31, 2024, the Company issued 286,406 Equity Shares valued at $2.7 million as settlement for the fiscal year 2023 bonus.

During the year ended December 31, 2024, the Company issued 1,433,810 Equity Shares valued at $2.8 million as settlement for vested GH Group non-qualified options.

During the year ended December 31, 2024, the Company issued 191,411 shares in payment of $1.3 million of accrued interest on convertible debentures.

During the year ended December 31, 2024, the Company issued 10,000 shares under the ATM Program at an average price of $6.72 per share for gross proceeds of $67 thousand. The Company received net proceeds of $66 thousand after paying commissions of $1 thousand to the sales agent for the 2024 ATM Program. The share issuance costs have been presented net within additional-paid in capital.

Variable Interest Entity

The below table summarizes information for entities the Company has concluded to be VIEs as the Company possesses the power to direct activities through various agreements. Through these agreements, the Company can significantly impact the VIE and thus holds a controlling financial interest. This information represents amounts before intercompany eliminations.

The aggregate balances of the VIE included in the accompanying Consolidated Balance Sheets and Consolidated Statements of Operations were as follows below as of and for the years ended December 31, 2024 and 2023 (in thousands):

	December 31,	
	2024	2023
Current Assets	$ 306	$ 181
Non-Current Assets	4,333	4,216
Total Assets	**$ 4,639**	**$ 4,397**
Current Liabilities	$ 33	$ 2
Non-Current Liabilities	234	238
Total Liabilities	**$ 267**	**$ 240**
Revenues, Net	**$ 240**	**$ 240**
Net Income Attributable to Non-Controlling Interest	**$ 129**	**$ 140**

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

15. SHARE-BASED COMPENSATION

The Company has an amended and restated equity incentive plan (the "Incentive Plan") under which the Company may issue various types of equity instruments or instruments that track to equity, more particularly the Equity Shares, to employees, officers, consultants and non-employee directors. The types of equity instruments issuable under the Incentive Plan encompass, among other things, stock options, unrestricted stock bonus and restricted stock units (together, the "Awards"). The Awards are expensed and recorded as a component of general and administrative costs. The maximum number of the Awards that may be issued under the Incentive Plan is 10% of the fully-diluted Equity Shares of the Company (inclusive of the Equity Shares issuable in exchange for unrestricted Exchangeable Shares) as calculated using the treasury method. The Incentive Plan is an "evergreen" plan, meaning that if an Award expires, becomes un-exercisable, or is cancelled, forfeited or otherwise terminated without having been exercised or settled in full, as the case may be, the Equity Shares allocable to the unexercised portion of an Award shall again become available for future grant or sale under the Incentive Plan (unless the Incentive Plan has terminated by its terms), and the number of the Awards available for grant will increase as the number of issued and outstanding Equity Shares increases. Granting and vesting of the Awards are determined by and recommended to the Board for approval by the Compensation, Nomination and Corporate Governance Committee of the Board of Directors. The exercise price for options (if applicable) will generally not be less than the fair market value of the Award at the time of grant and will generally expire after 5 years.

Stock Options

A reconciliation of the beginning and ending balance of stock options outstanding was as follows:

	Number of Stock Options	Weighted-Average Exercise Price
Outstanding as of December 31, 2023	**1,435,794**	**$ 2.84**
Exercised	(892,095)	2.74
Forfeited	(14,697)	2.26
Outstanding as of December 31, 2024	**529,002**	**3.08**

The following table summarizes the stock options that remain outstanding as of December 31, 2024:

Security Issuable	Exercise Price	Expiration Date	Stock Options Outstanding
Equity Shares	3.08	April 2025	107,322
Equity Shares	3.08	January 2026	421,680
			529,002

As of December 31, 2024 and 2023, options vested and exercisable were 529,002 and 1,416,870, respectively. There were no stock options granted during the years ended December 31, 2024 and 2023. As of December 31, 2024, stock options outstanding have a weighted-average remaining contractual life of 0.87 years.

The total intrinsic value of stock options exercised during the year ended December 31, 2024 was $5.3 million. There were no stock options exercised during the year ended December 31, 2023. The intrinsic value represents the difference between the fair market value of the Company's common stock on the date of exercise and the exercise price of each stock option. Based on the fair market value of the Company's common stock at December 31, 2024 and 2023, the total intrinsic value of outstanding stock options was $1.4 million and $2.7 million, respectively.

For the years ended December 31, 2024 and 2023, the Company recognized $3 thousand and $290 thousand, respectively, of share-based compensation expense related to these stock options and was included as a component of general and administrative expense in the Consolidated Statements of Operations.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

Immediately prior to the close of the Mercer Park Business Combination, GH Group had outstanding vested and unvested options. Incident to the close, certain options were exercised. Of the remaining options, the vested GH Group non-qualified stock options ("NQSOs") were paid the net-value of their outstanding options at close by reserving 1,400,000 Subordinate Voting Shares which were to be issued on or before June 29, 2024. Prior to the issuance of the shares, the Company recorded $2.8 million in Shares Payable on the Consolidated Balance Sheet. During June 2024, the Company issued 1,433,810 shares reflected in shares issued for vested GH Group non-qualified options on the Consolidated Statements of Changes in Shareholders' Equity and reclassified $2.8 million from shares payable to additional paid-in capital on the Consolidated Balance Sheet.

Restricted Stock Units

A reconciliation of the beginning and ending balance of RSUs outstanding was as follows:

	Number of Restricted Stock Units
Unvested as of December 31, 2023	**2,533,575**
Granted	3,487,084
Vested	(2,603,040)
Forfeited	(83,333)
Unvested as of December 31, 2024	**3,334,286**

The weighted-average grant date fair values of RSUs granted during the years ended December 31, 2024 and 2023 were $6.59 and $3.24, respectively. The fair value of the RSUs granted during the years ended December 31, 2024 and 2023 were determined using the value of the Equity Shares at the date of grant. The fair values of RSUs that vested during the years ended December 31, 2024 and 2023, were $21.3 million and $4.6 million, respectively.

During the years ended December 31, 2024 and 2023, the Company recognized $13.1 million and $7.3 million, respectively, in stock-based compensation related to RSUs and is included as a component of general and administrative expense in the Consolidated Statements of Operations.

As of December 31, 2024, there was $17.0 million of unrecognized compensation expense related to unvested RSUs which is expected to be recognized over a weighted-average period of approximately 2.30 years. For RSUs subject to graded vesting, the Company recognizes compensation cost on a straight-line basis over the service period for the entire award.

Stock Appreciation Right Units

GH Group has SARs which are issued to various employees of the Company. The SARs vested 33% one year after the grant date and the remaining 67% vested monthly over two years. Vested and exercised SARs will receive cash in the amount of the SARs exercised multiplied by the excess of the fair market value of an Equity Share as of the exercise date over the stated strike price of the SAR. As the SARs are cash-settled, the Company recognizes the value of the SARs as liabilities which are included in accounts payable and accrued liabilities in the Consolidated Balance Sheets. As of December 31, 2024 and 2023, the Company recorded a liability of $121 thousand and $219 thousand, respectively.

(Amounts Expressed in United States Dollars Unless Otherwise Stated)

A reconciliation of the beginning and ending balance of the SARs outstanding was as follows:

	Number of Stock Appreciation Rights Units
Outstanding as of December 31, 2023	**135,916**
Exercised	(65,844)
Forfeited	(25,268)
Outstanding as of December 31, 2024	**44,804**

During the years ended December 31, 2024 and 2023, the Company recognized $262 thousand and $219 thousand, respectively, of expense related to the SARs.

Warrants

A reconciliation of the beginning and ending balance of warrants outstanding was as follows:

	Number of Warrants	Weighted-Average Exercise Price
Outstanding as of December 31, 2023	**47,318,882**	**$ 9.56**
Exercised	(280,396)	5.07
Expired	(2,654,445)	10.00
Outstanding as of December 31, 2024	**44,384,041**	**9.56**

The following table summarizes the warrants that remained outstanding as of December 31, 2024:

Security Issuable	Exercise Price	Expiration Date	Warrants Outstanding	Warrants Exercisable
Equity Shares	$ 11.50	June 2026	30,664,500	30,664,500
Equity Shares	5.00	August 2027	10,739,541	10,739,541
Equity Shares	6.00	August 2028	2,980,000	2,980,000
			44,384,041	**44,384,041**

There were no warrants granted during the year ended December 31, 2024. For the year ended December 31, 2023, the fair value of the warrants granted with a fixed exercise price and fair valued using level 3 inputs was determined using the Black-Scholes option-pricing model with the following assumptions at the time of grant:

	Year Ended December 31, 2023
Weighted-Average Risk-Free Annual Interest Rate	0.07 %
Weighted-Average Expected Annual Dividend Yield	0.0 %
Weighted-Average Expected Stock Price Volatility	2.07 %
Weighted-Average Expected Life in Years	0.10
Weighted-Average Estimated Forfeiture Rate	0.0 %

During the year ended December 31, 2023, the weighted-average fair value of warrants granted was $3.10 per warrant. As of December 31, 2024, warrants outstanding had a weighted-average remaining contractual life of 1.91 years.

16. LOSS PER SHARE

The following is a reconciliation for the calculation of basic and diluted loss per share (in thousands, except share and per share data):

	Year Ended December 31,	
	2024	**2023**
Net Income (Loss) Attributable to the Company	$ 519	$ (98,270)
Less: Dividends and Increase in Redemption Values of GH Group Preferred Shares	(15,959)	(18,443)
Adjusted Net Loss Attributable to the Company	$ (15,440)	$ (116,713)
Weighted-Average Shares Outstanding - Basic	75,229,075	72,028,902
Weighted-Average Shares Outstanding - Diluted	75,229,075	72,028,902
Loss Per Share - Basic	**$ (0.21)**	**$ (1.62)**
Loss Per Share - Diluted	**$ (0.21)**	**$ (1.62)**

For the years ended December 31, 2024 and 2023, diluted loss per share was the same as basic loss per share as the potential issuance of shares related to stock-based award plans, warrants, contingent shares and convertible debentures were anti-dilutive.

The following common equivalent shares were excluded from the Loss Per Share - Diluted calculation because their inclusion would have been anti-dilutive:

	Year Ended December 31,	
	2024	**2023**
Stock Award Plans	3,863,288	3,969,369
Warrants	44,384,041	47,318,882
Contingent Shares	3,000,000	3,000,000
Convertible Debentures	2,762,051	3,467,523
Total	**54,009,380**	**57,755,774**

Adjusted net loss attributable to the Company is adjusted for dividends and various other adjustments as defined in ASC 260 *Earnings Per Share*. After adjustments as defined in ASC 260, if the Company is in a net loss position, diluted loss per share is the same as basic loss per share when the potential issuance of shares related to convertible debentures, warrants and stock-based compensation grants are antidilutive. After adjustments, as defined in ASC 260, if the Company is in a net income position, diluted earnings per share includes shares related to convertible debentures, warrants, stock-based compensation grants and contingently issuable shares that are determined to be dilutive using the treasury stock method for all equity instruments issuable in equity units and the “if converted” method for the Company’s convertible debentures.

17. PROVISION FOR INCOME TAXES AND DEFERRED INCOME TAXES

Provision for income taxes consisted of the following (in thousands):

	Year Ended December 31,	
	2024	**2023**
Current:		
Federal	$ 12,392	$ 7,369
State	(1,894)	1,062
Total Current	10,498	8,431
Deferred:		
Federal	—	940
State	—	572
Total Deferred	—	1,512
Total Provision for Income Taxes	**$ 10,498**	**$ 9,943**

The components of deferred tax assets and liabilities were as follows (in thousands):

	As of December 31,	
	2024	**2023**
Deferred Tax Assets:		
Allowance for Doubtful Accounts	$ 820	$ 893
Inventory Reserve	309	543
Accrued Expenses	759	1,168
Other	775	668
Operating Lease Liabilities	2,514	3,285
Stock-based Compensation	1,806	5,277
Loss on Disposal of Subsidiary	—	1,721
Operating Losses	36,985	39,874
Property and Equipment and Depreciation	5,108	3,999
Total Deferred Tax Assets	49,076	57,428
Valuation Allowance	(39,890)	(48,439)
Net Deferred Tax Assets	9,186	8,989
Deferred Tax Liabilities:		
Property, Plant and Equipment	(4,238)	(6,330)
Right-of-Use Assets	(2,437)	(2,659)
State Taxes	(2,511)	—
Total Deferred Tax Liabilities	(9,186)	(8,989)
Net Deferred Tax Assets	**$ —**	**$ —**

The reconciliation between the effective tax rate on income and the statutory tax rate were as follows (in thousands):

	Year Ended December 31,	
	2024	2023
Income Tax Benefit at Federal Rate	$ 2,356	$ (18,505)
State Taxes and Fees	1,083	(1,436)
IRS Section 280E Disallowance	—	6,128
Uncertain Tax Position	15,424	2,138
Over Accrual of Prior Year Taxes	(7,454)	(2,106)
Change in Valuation Allowance	(7,120)	12,136
Change in Fair Value of Contingent Consideration	(2,882)	5,124
Return to Provision	(646)	(2,410)
Other Adjustments	6,208	140
Impairment Expense	—	8,240
Other Permanent Differences	3,529	494
Reported Provision for Income Taxes	**$ 10,498**	**$ 9,943**

The Company has used a discrete effective tax rate method to calculate taxes for the years ended December 31, 2024 and 2023.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50 percent likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceeds the amount measured as described above is reflected as a liability for unrecognized tax benefits along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

A reconciliation of the beginning and ending amount of total unrecognized tax benefits were as follows (in thousands):

	As of December 31,	
	2024	2023
Balance at Beginning of Year	$ 5,444	$ 2,801
IRS Section 280E Positions	15,424	2,643
Balance at End of Year	**$ 20,868**	**$ 5,444**

As the Company operates in the legalized cannabis industry, it is subject to the limits of IRC Section 280E ("Section 280E") for U.S. federal income tax purposes under which the Company is only allowed to deduct expenses directly related to the cost of goods sold. This results in permanent differences between ordinary and necessary business expenses deemed nonallowable under Section 280E, whereas the Company deducts all operating expenses on its state tax returns for which there is no comparable provision of Section 280E under the California Revenue and Taxation Code.

Based on legal interpretation, it is the Company's position that it does not owe taxes attributable to the application of Section 280E. Additionally, the Company has determined that the tax impact of its corporate overhead allocation was less likely than not to be sustained on the merits as required under ASC 740, *Income Taxes*, due to the evolving interpretations of Section 280E. The Company included in the balance of total unrecognized tax benefits as of December 31, 2024 a potential benefit of $20.9 million that if recognized would impact the effective tax rate on income from operations, of which $12.1 million is related to its tax positions based on legal interpretations that challenge the Company's tax liability under Section 280E. The Company included in the balance of total unrecognized tax benefits as of December 31, 2023 a potential benefit of $5.4 million that if recognized would impact the effective tax rate on income from operations. Unrecognized tax benefits that reduce a net operating loss, similar to tax loss or tax credit carryforwards, are presented as a reduction to deferred income taxes.

The Company’s evaluation of tax positions was performed for those tax years which remain open to for audit. The Company may, from time to time, be assessed interest or penalties by the taxing authorities, although any such assessments historically have been minimal and immaterial to the Company’s financial results. In the event the Company is assessed for interest and/or penalties, such amounts will be classified as income tax expense in the financial statements.

As of December 31, 2024, the Company’s federal tax returns since 2020 and state tax returns since 2019 are still subject to adjustment upon audit. The 2019 federal tax return of Natural Healing Center LLC (pre-acquisition) is currently under IRS examination. No other tax returns are currently being examined by any taxing authorities. While it is reasonably possible that certain portions of the unrecognized tax benefit may change from a lapse in applicable statute of limitations, it is not possible to reasonably estimate the effect of any amount of such a change to previously recorded uncertain tax positions in the next 12 months.

18. COMMITMENTS AND CONTINGENCIES

Contingencies

The Company’s operations are subject to a variety of local and state regulations. Failure to comply with one or more of these regulations could result in fines, restrictions on its operations, or revocation, cancellation, non-renewal or other losses of permits, licenses and entitlements that could result in the Company ceasing operations. While management of the Company believes that the Company was in compliance with applicable local and state statues, regulations, and ordinances as of December 31, 2024 and 2023, cannabis laws and regulations continue to evolve and are subject to differing interpretations. As a result, the Company may be subject to regulatory fines, penalties or restrictions in the future.

Royalty

Effective as of May 9, 2019, Sweet & Salty, Inc., a California corporation (“Lender”), and GH Brands LLC, a California limited liability company and former subsidiary of the Company (“GH Brands”), entered into a License and Services Agreement, pursuant to which Lender granted to GH Brands an exclusive, transferable, sublicensable, right and license to use, exploit and incorporate the name, nicknames, initials, signature, voice, image, likeness, and photographic or graphic representations of likeness, statements and biography of the artist Annabella Avery Thorne, professionally known as Bella Thorne, for all purposes relating to or in connection with the development, quality control, cultivation, extraction, manufacture, production, branding, testing, advertising, marketing, promotion, commercialization, packaging, distribution, exploitation and/or sale of the products of GH Brands and its affiliates. The term of the License and Service Agreement was 3 years, with the right to renew upon 60 days prior notice for an additional 2-year term. Royalty fees for Bella Thorne branded boxes were 10% for the 1st year and 12% for years 2 to 5. Royalty fees for flower products and accessories were 6% for the 1st year, 7% for the 2nd year and 8% for years 3 to 5. Minimum guarantee fees were recoupable against royalties for an initial term of $1.0 million ($50 thousand initial payment, $200 thousand for the 1st year, $375 thousand for the 2nd year and $375 thousand for the 3rd year). The agreement provided an option to renew for a 2-year term with a guaranteed minimum fee of $1.5 million ($750 thousand for the 4th year and $750 thousand for the 5th year). The Company did not exercise the option to renew the License and Services Agreement. On May 31, 2023, the parties agreed to settle the outstanding balances for $450 thousand. During the year ended December 31, 2023, the Company recognized a gain related to these royalties in the amount of $58 thousand.

Claims and Litigation

From time to time, the Company may be involved in litigation relating to claims arising out of operations in the normal course of business. As of December 31, 2024 and 2023, there were no pending or threatened lawsuits that could be reasonably assessed to have resulted in a probable loss to the Company in an amount that can be reasonably estimated. As such, no accrual has been made in the Consolidated Financial Statements relating to claims and litigations. As of December 31, 2024 and 2023, there were also no proceedings in which any of the Company's directors, officers or affiliates were an adverse party to the Company or had a material interest adverse to the Company's interest.

Element 7 Transaction and Litigation

Effective February 23, 2021, GH Group entered into a Merger and Exchange Agreement ("E7 Merger Agreement") with Element 7 CA, LLC ("E7") whereby GH Group had the right, subject to satisfactory completion of due diligence and certain other conditions, to obtain all of the limited liability company membership interests or other equity interests held by E7 in 17 holding companies that hold the rights to certain in-process state and local cannabis retail licenses or license applications, some of which were partially owned. In addition, GH Group entered into a License Development and Consulting Agreement ("E7 License Agreement", and together with the E7 Merger Agreement, the "E7 Agreements") with E7 to provide certain retail consulting services to develop and obtain up to 34 cannabis retail licenses in exchange for the payment of certain fees as set forth in the E7 License Agreement. In November 2021, GH Group terminated the E7 Agreements based on a breach of contract by E7, and as of December 31, 2021, GH Group had converted certain pre-closing financing payments and consulting fees into notes receivable in the amount of $2.3 million. As of December 31, 2024 and 2023, the notes receivable were fully reserved by the Company. As of December 31, 2023, the Company had received limited liability membership interests or other equity interests in three E7 entities out of 17 entities that were contractually committed to be transferred under the E7 Merger Agreement.

On November 4, 2021, GH Group filed a lawsuit in the Superior Court for the County of Los Angeles, Central District (Case No. 21STCV40401) against E7 and its principals and owners Josh Black and Robert "Bobby" DiVito (together, "Element 7") for a variety of claims, including fraud and breach of contract and demanded performance under the E7 Agreements.

The court proceeding was subsequently withdrawn by the Company without prejudice, and on March 13, 2022, GH Group entered into an agreement with American Patriot Brands, Inc. ("APB") to jointly file suit against E7 to enforce the transfer of certain contractually committed cannabis retail licenses ("Joint Litigation Agreement"). GH Group and APB jointly refiled a complaint against E7 in the Superior Court of California, County of Los Angeles (Case No. 22STCV09323). The Superior Court severed the claims of GH Group and APB, which resulted in APB's claims remaining in Superior Court and GH Group's claims being adjudicated in Signature Arbitration (Case No. LQMGL) (collectively, "Element 7 Proceeding").

Under the terms of the Joint Litigation Agreement, GH Group agreed to pay all legal fees for GH Group and APB's joint litigation against E7. GH Group also held the option to purchase any E7 cannabis retail license or licensed entity interests recovered by APB from E7 that were included in the E7 Merger Agreement, that either have a state or local permit and a valid lease, or a local permit that is without a real property site but is in a competitive license jurisdiction, in each case at a valuation of $750 thousand per E7 license or licensed entity, paid in Equity Shares at the 10-day VWAP calculated as of the date of such purchase. In addition, under the Joint Litigation Agreement, GH Group also held the right of first refusal to purchase any other E7 cannabis retail licenses or licensed entity outside of the foregoing groups, and the right to terminate the Joint Litigation Agreement at any time. As part of the Element 7 Settlement, the Joint Litigation Agreement was terminated as of September 19, 2023.

On September 19, 2023, E7, APB and GH Group entered into a Settlement and General Mutual Release Agreement ("Element 7 Settlement"), where E7 agreed to pay GH Group $2.9 million to settle the Element 7 Proceeding; provided, that if E7 paid GH Group $1.9 million by December 15, 2023, then E7 would have been entitled to a credit of $1.0 million towards the $2.9 million payment. In addition, E7 would retain ownership of its cannabis retail licenses.

E7 failed to pay GH Group $1.9 million by December 15, 2023, and it also failed to subsequently pay GH Group the $2.9 million that was due under the Element 7 Settlement.

On March 6, 2024, the Superior Court of Los Angeles entered into a Final Judgment and Order against E7 for the amount of $2.9 million in favor of GH Group. The Company is currently conducting debtor examinations in an effort to enforce the judgment.

On November 19, 2024, C and H Holdings ("C and H") filed a breach of contract claim among other claims against E7 and other E7 related entities ("C and H Lawsuit"). In addition, C and H requested that the court appoint a receiver for E7 so that the assets could be used to satisfy C and H's claims under its loan agreement with E7 and the related E7 entities that were included in the lawsuit. C and H also named GH Group in the lawsuit to prevent GH Group from satisfying its judgment against E7.

GH Group is opposing the C and H Lawsuit and has asked that the judge clarify which E7 assets are subject to the C and H loan. As of March 20, 2025, this matter is still pending.

Catalyst Litigation

The Company was the plaintiff in litigation in the Central District Superior Court of the County of Los Angeles against Elliot Lewis ("Lewis"), Damian Martin ("Martin"), South Cord Holdings LLC ("SCH"), and South Cord Management LLC ("SCM") (collectively, "Catalyst Defendants") following various public, false, and defamatory statements made by Lewis and Martin, co-founders of SCM and SCH, that the Company is the "largest black marketeer" of cannabis in the history of the United States, only 25% of the Company's cultivated cannabis is sold through legal channels, and therefore 70-80% is sold illegally, and that the Company is engaging in illicit conduct to avoid taxes.

The Company is the defendant in litigation in the Central District Superior Court of the County of Los Angeles filed by 562 Discount Med, Inc. ("Discount Med" doing business as Catalyst Cannabis Co.), an affiliate of SCH and SCM. Discount Med has asserted claims against the Company for violation of California Business & Professions Code Section 17200 et seq., California's Unfair Competition Law. Discount Med similarly alleged, like the Catalyst Defendants, that the Company is the "largest black marketeer" of cannabis in the United States and has purposefully structured its business to profit from the illicit market. The Company has categorically denied all such allegations and asserted affirmative defenses.

On May 20, 2024, the Company voluntarily dismissed without prejudice the defamation lawsuit against the Catalyst Defendants.

On June 25, 2024, the Superior Court of California (Los Angeles County) dismissed the lawsuit filed by Discount Med against Glass House for unfair competition. The Court granted Glass House's motion for judgment on the pleadings with prejudice. On July 15, 2024, the Court entered a judgment in Glass House's favor, awarding costs against the plaintiff and concluding the case. On August 7, 2024, Discount Med filed a Notice of Appeal of the judgment of dismissal following an order granting a motion for judgment on the pleadings without leave to amend. No dates have been set as of yet for the appeal as the appellate record has not yet been finalized.

ATES Enterprises, LLC Lease Settlement

On November 2, 2023, GH Group entered into a settlement agreement and general release with respect to a lawsuit that was filed on August 16, 2023, against ATES Enterprises, LLC ("ATES"), a former subsidiary of the GH Group, concerning a breach of contract and breach of personal guaranty relating to a lease for certain real property located at 2040-2050 W. 16th Street in Long Beach, California. While GH Group was not a party to the lease and ATES was previously divested by GH Group, GH Group maintained certain indemnity obligations related to the lease. In the lawsuit, the landlords were claiming over $750 thousand in damages. GH Group ultimately agreed to pay the landlords $400 thousand to settle the case. During December 31, 2023, the Company accrued the $400 thousand settlement which was paid in full as of December 31, 2023.

19. RELATED PARTY TRANSACTIONS

Leases

Neo Street Partners LLC, a company partially owned by an executive and board member of the Company, entered into a five-year lease with a subsidiary of the Company. The lease, which commenced in October 2018, provides for an initial annual base rent payment of $213 thousand, increasing to $243 thousand for years two to five. The lease was renewed for one year starting in October 2024. Rent expense for the years ended December 31, 2024 and 2023 were $373 thousand and $439 thousand, respectively.

3645 Long Beach LLC, a company partially owned by an executive and board member of the Company, entered into a five-year lease with a subsidiary of the Company. The lease, which commenced in December 2019, provides for an initial annual base rent payment of $64 thousand, increasing to $69 thousand for year two and increasing five percent per annum thereafter. Rent expense for the years ended December 31, 2024 and 2023 were $80 thousand and $77 thousand, respectively.

Isla Vista GHG LLC, a company partially owned by executives and board members of the Company, entered into a ten-year lease with a subsidiary of the Company. The lease, which commenced on the first calendar day after the Company publicly announced the opening of a retail cannabis location at the leased property (the "Commencement Date"), provides for an initial monthly rent of $5 thousand starting April 19, 2022 until the Commencement Date. Effective on the Commencement Date, the initial annual base rent payment is $144 thousand and increasing three percent per annum thereafter. Rent expense for the years ended December 31, 2024 and 2023 were $269 thousand in each period.

In August 2022, the Kazan Trust dated December 10, 2004, a trust of which the trustee is an executive and board member of the Company, acquired partial ownership of a real estate entity that entered into a ten-year lease with a subsidiary of the Company. The lease, which commenced in July 2022, provides for an initial annual base rent payment of $36 thousand, increasing three percent per annum thereafter. Rent expense for the years ended December 31, 2024 and 2023 were $36 thousand in each period.

Consulting Agreement

Beach Front Property Management Inc., a company that is majority-owned by an executive and certain board members of the Company, entered into a consulting agreement with the Company dated September 28, 2020. The monthly consulting fee is $11 thousand for mergers and acquisitions advisory and assistance and real estate acquisition and financing services. The agreement may be terminated by either party for any/or no reason without penalty upon seven days written notice. Consulting fees for the years ended December 31, 2024 and 2023 were $140 thousand and $134 thousand, respectively.

20. SEGMENT INFORMATION

Operations by reportable segment for the year ending December 31, 2024 are as follows (in thousands):

	Year Ended December 31, 2024				
	Retail	Wholesale Biomass	CPG	Corporate & Other	Total
Revenues, Net	$ 43,816	$ 139,086	$ 17,996	$ —	$ 200,898
Cost of Goods Sold	23,053	66,973	13,479	—	103,505
Gross Profit	20,763	72,113	4,517	—	97,393
Operating Expenses:					
General and Administrative	13,621	12,083	1,317	33,105	60,126
Sales and Marketing	1,780	128	38	472	2,418
Professional Fees	37	206	37	7,488	7,768
Depreciation and Amortization	1,509	11,723	794	1,018	15,044
Impairment Expense for Intangible Assets	—	—	—	6,300	6,300
Income (Loss) from Operations	3,816	47,973	2,331	(48,383)	5,737
Other (Income) Expense:					
Interest Expense	159	92	22	8,911	9,184
Gain on Equity Method Investments	—	—	—	(14)	(14)
Gain on Change in Fair Value of Derivative Asset	—	—	—	(690)	(690)
Gain on Change in Fair Value of Contingent Liabilities and Shares Payable	—	—	—	(13,724)	(13,724)
Other (Income) Expense, Net	(405)	109	49	9	(238)
Total Other (Income) Expense Net	(246)	201	71	(5,508)	(5,482)
Income (Loss) Before Income Taxes	**$ 4,062**	**$ 47,772**	**$ 2,260**	**$ (42,875)**	**$ 11,219**
Total Assets	**$ 26,216**	**$ 235,576**	**$ 12,589**	**$ 36,121**	**$ 310,502**

Operations by reportable segment for the year ending December 31, 2023 are as follows (in thousands):

	Year Ended December 31, 2023				
	Retail	**Wholesale Biomass**	**CPG**	**Corporate & Other**	**Total**
Revenues, Net	$ 39,078	$ 105,696	$ 16,062	$ —	$ 160,836
Cost of Goods Sold	17,527	47,501	14,839	—	79,867
Gross Profit	21,551	58,195	1,223	—	80,969
Operating Expenses:					
General and Administrative	13,058	9,015	2,101	28,740	52,914
Sales and Marketing	1,720	359	66	693	2,838
Professional Fees	99	233	171	6,801	7,304
Depreciation and Amortization	1,311	11,114	743	1,459	14,627
Impairment Expense for Goodwill	—	—	—	37,912	37,912
Impairment Expense for Intangible Assets	—	—	—	14,903	14,903
Income (Loss) from Operations	5,363	37,474	(1,858)	(90,508)	(49,529)
Other Expense:					
Interest Expense	96	25	13	9,685	9,819
Interest Income	—	—	—	(45)	(45)
Loss on Equity Method Investments	—	—	—	2,102	2,102
Loss on Change in Fair Value of Derivative Asset	—	—	—	28	28
Loss on Change in Fair Value of Contingent Liabilities and Shares Payable	—	—	—	24,399	24,399
Other Expense, Net	262	299	285	1,440	2,286
Total Other Expense Net	358	324	298	37,609	38,589
Income (Loss) Before Income Taxes	**$ 5,005**	**$ 37,150**	**$ (2,156)**	**$ (128,117)**	**$ (88,118)**
Total Assets	**$ 27,054**	**$ 220,054**	**$ 12,774**	**$ 43,893**	**$ 303,775**

21. SUBSEQUENT EVENT

Senior Secured Credit Facility

On February 28, 2025, the Company entered into a senior secured credit facility for an aggregate principal amount of $50 million, maturing on February 28, 2030 (the “Senior Secured Credit Facility”). The initial interest rate for the Senior Secured Credit Facility is 8.75% and has a floating interest rate based on the Wall Street Journal's prime rate plus 1.25%. On February 28, 2025, the Company entered into an interest rate swap agreement with a notional amount of $50 million that effectively converted the variable-rate debt to a fixed rate of 8.58%. The interest rate swap agreement expires on February 28, 2030.

Payments for the first two years are interest only. Principal and interest payments will be made during the last three years based on a straight-line amortization of the loan amount over a period of 15 years, with a balloon payment of $40 million due on the maturity date.

The Senior Secured Credit Facility will be secured by a first priority lien on the Company's Camarillo, Padaro and Casitas greenhouse farms and facilities and a first priority lien on the rest of the Company's assets excluding other real estate.

The Senior Secured Credit Facility contains a covenant which requires the Company to maintain liquidity in excess of $10 million at all times. The Senior Secured Credit Facility also contains a covenant which requires the Company to maintain a Consolidated Fixed-Charge Coverage Ratio of at least 1.25x measured quarterly on a trailing-twelve-month basis commencing as of December 31, 2024. The Fixed-Charge Coverage Ratio is defined as Adjusted EBITDA minus income tax expense divided by the current portion of long-term debt plus interest expense plus the current portion of capital leases. Preferred equity dividend payments and convertible debt payments are not included in the Fixed-Charge Coverage Ratio calculation as the former can be suspended if needed and the latter can be paid in shares.

The Company used the proceeds from the Senior Secured Credit Facility to repay the remaining balance of the Credit Agreement term loan in the amount of $40.6 million plus fees on February 28, 2025 and intends to use the remaining proceeds for working capital and general corporate purposes.

Exhibit 99.2

GLASS HOUSE BRANDS INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

Introduction

This management's discussion and analysis of financial condition and results of operations ("MD&A") is provided as of March 25, 2025 and should be read together with Glass House Brands Inc.'s (together with its wholly-owned subsidiaries, referred to as "Glass House," the "Company," "we," "us" or "our") audited Consolidated Financial Statements (the "Financial Statements") as of and for the years ended December 31, 2024 and 2023, and the accompanying notes. The financial results discussed herein have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") and, unless otherwise noted, are expressed in United States dollars. Additional information relating to the Company can be found on SEDAR+ at www.sedarplus.ca.

Overview

Glass House, formerly known as Mercer Park Brand Acquisition Corp. ("Mercer Park"), was incorporated under the Business Corporations Act (British Columbia) on April 16, 2019. We are a vertically integrated cannabis company that operates in the state of California as of December 31, 2024. We, through our subsidiaries, cultivate, manufacture and distribute cannabis bulk flower and trim to wholesalers and cannabis-related consumer packaged goods ("CPG") to third-party retail stores in the state of California. We also own and operate retail cannabis stores in the state of California. Our subordinate voting shares ("Subordinate Voting Shares"), restricted voting shares ("Restricted Voting Shares") and limited voting shares ("Limited Voting Shares," and collectively, with the Subordinate Voting Shares and the Restricted Voting Shares, the "Equity Shares"), and certain common share purchase warrants (the "Listed Warrants") are listed on Cboe Canada, trading under the symbols "GLAS.A.U" and "GLAS.WT.U", respectively. The Equity Shares and Listed Warrants also trade on the OTCQX in the United States under the symbols "GLASF" and "GHBWF", respectively. Our head office and principal address is 3645 Long Beach Boulevard, Long Beach, California 90807. Our registered office in Canada is 666 Burrard Street, Suite 2500, Vancouver, BC V6C 2X8 Canada.

Major Business Lines and Geographies

We view our financial results under three business lines – the creation of extensible wholesale cannabis biomass, cannabis-related consumer packaged goods ("CPG") and cannabis retail. We generate all of our revenue in the state of California as of December 31, 2024.

While many cannabis businesses prioritize brand building and customer acquisition before securing a reliable product flow, we believe that in a consumer-focused CPG space, consistent delivery of high-quality product at an attractive price point is a first principle and a prerequisite for any other activity.

Cannabis Cultivation, Production and Sales

We operate multiple greenhouse cultivation facilities located in Carpinteria and Camarillo, California, and our manufacturing production facility is located in Lompoc, California. We operate an approximately 5.5 million square foot hi-tech greenhouse facility located in Camarillo, California (the "Camarillo Facility"). We completed Phase I of the Camarillo Facility which is licensed and operational. We completed the first harvest in June 2022, four weeks earlier than expected. We commenced construction on Phase II of the Camarillo Facility during 2023. We completed the first harvest from this phase in the first quarter of 2024.

We generate revenue by selling our cannabis products in bulk at wholesale and at retail to our own and third-party dispensaries in California, including raw cannabis, cannabis oil and cannabis CPG. Our "Farmacy" branded retail dispensaries are currently located in Santa Barbara, Santa Ana, Berkeley, Isla Vista and Santa Ynez, California. We also operate one retail dispensary located in Los Angeles, California under the brand "The Pottery." During the year ended December 31, 2022, we completed the acquisition of Plus Products Holdings Inc., a leading edibles brand in California, as well as the acquisitions of The Pottery and three Natural Healing Center-branded retail cannabis dispensaries located in Grover Beach, Morro Bay and Lemoore, California. In April 2023, we completed the acquisition of a fourth Natural Healing Center retail cannabis dispensary located in Turlock, California.

Market Update and Objectives

The state of California represents the largest single state-legalized adult-use and medical market for cannabis in the U.S., with an adult population of over 31 million. The California market is highly fragmented, with over 4,350 cultivation licenses in operation, over 1,000 distribution licenses, over 1,200 operational dispensaries, greater than 600 brands and a significant illicit market. In addition to this, burdened with high taxes and fees, extensive regulation, and heavy competition and a large illicit market, California operators may find it difficult to operate in this market. In 2024, we saw wholesale prices decline from 2023 exhibiting high levels of volatility, but due to our scaled operations and low cost production, we believe Glass House is best fit to operate in this difficult market. With this backdrop, we will continue to use scale in cultivation and distribution (at wholesale and through our own retail dispensaries and third-party retailers) to achieve low cost of production that will allow us to outperform competitors and build superior brand awareness and loyalty.

On May 21, 2024, the U.S. Department of Justice published its notice of proposed rulemaking ("NPRM") announcing its intention to reschedule marijuana from Schedule I of the Controlled Substances Act ("CSA") to Schedule III, a less-restrictive schedule, of the CSA. The public comment period ended on July 22, 2024. The DEA had noticed its intention to convene a hearing on December 2, 2024 on the NPRM. The DEA postponed the hearing to January 21, 2025, but the hearing was eventually canceled by the Chief Administrative Law Judge for the DEA (an internal administrative tribunal of the DEA) due to procedural issues and pending appeals and legal actions, and is expected to be rescheduled at a future date uncertain.

SELECTED FINANCIAL INFORMATION

The following are the results of our operations for the year ended December 31, 2024 compared to the years ended December 31, 2023 and December 31, 2022 (in thousands, except share and per share data):

	Year Ended December 31,		
	2024	2023	2022
Revenues, Net	$ 200,898	$ 160,836	$ 84,874
Cost of Goods Sold (Exclusive of Depreciation and Amortization Shown Separately Below)	103,505	79,867	64,162
Gross Profit	97,393	80,969	20,712
Operating Expenses:			
General and Administrative	60,126	52,914	45,575
Sales and Marketing	2,418	2,838	3,427
Professional Fees	7,768	7,304	9,951
Depreciation and Amortization	15,044	14,627	12,301
Impairment Expense for Goodwill	—	37,912	5,851
Impairment Expense for Intangible Assets	6,300	14,903	—
Total Operating Expenses	91,656	130,498	77,105
Income (Loss) from Operations	5,737	(49,529)	(56,393)
Other (Income) Expense:			
Interest Expense	9,184	9,819	7,608
Interest Income	—	(45)	(56)
(Gain) Loss on Equity Method Investments	(14)	2,102	2,007
(Gain) Loss on Change in Fair Value of Derivative Asset	(690)	28	30
(Gain) Loss on Change in Fair Value of Contingent Liabilities and Shares Payable	(13,724)	24,399	(28,869)
Loss on Extinguishment of Debt	—	—	490
Other (Income) Expense, Net	(238)	2,286	(253)
Total Other (Income) Expense, Net	(5,482)	38,589	(19,043)
Income (Loss) from Operations Before Provision for (Benefit from) Income Taxes	11,219	(88,118)	(37,350)
Provision for (Benefit from) Income Taxes	10,498	9,943	(4,385)
Net Income (Loss)	721	(98,061)	(32,965)
Net Income (Loss) Attributable to Non-Controlling Interest	202	209	(62)
Net Income (Loss) Attributable to the Company	**$ 519**	**$ (98,270)**	**$ (32,903)**
Loss Per Share - Basic	**$ (0.21)**	**$ (1.62)**	**$ (0.83)**
Loss Per Share - Diluted	**$ (0.21)**	**$ (1.62)**	**$ (0.83)**
Weighted-Average Shares Outstanding - Basic	**75,229,075**	**72,028,902**	**64,182,436**
Weighted-Average Shares Outstanding - Diluted	**75,229,075**	**72,028,902**	**64,182,436**

Revenue

Revenue for the year ended December 31, 2024 was $200.9 million, which represents an increase of $40.1 million, or 25%, from $160.8 million for the year ended December 31, 2023. Cannabis biomass revenue increased by $33.4 million, or 32%, cannabis retail revenue increased by $4.7 million, or 12%, and CPG revenue increased by $1.9 million or 12%, for the year ended December 31, 2024 as compared to the same period in the prior year. The increase in wholesale biomass revenues during the year ended December 31, 2024 was primarily attributable to increased production resulting from the commencement of cultivation at Greenhouse 5 in late January 2024 and the continued demand for our production. As a result, our cultivation facilities reported $139.1 million in wholesale biomass revenue compared to $105.7 million in the same period in the prior year. The increase in retail operations revenues was primarily attributable to increased sales due to our strategic pricing initiative implemented in the first quarter of 2024 which resulted in lower consumer prices and increased traffic. The increase in CPG revenues was attributable to consumer demand for our brands, primarily our value-oriented brand, Allswell.

Cost of Goods Sold and Gross Profit

Cost of goods sold for the year ended December 31, 2024 was $103.5 million, an increase of $23.6 million, or 30%, compared with $79.9 million for the year ended December 31, 2023. Gross profit for the year ended December 31, 2024 was $97.4 million, representing a gross margin of 48%, compared to a gross profit of $81.0 million, representing a gross margin of 50% for the year ended December 31, 2023. The increase in cost of goods sold during the year ended December 31, 2024 was primarily attributable to our growth in revenue and accompanying increase in production. Gross profit dollars for our biomass segment increased by $13.9 million primarily due to the increase in revenues. Gross profit percentage for wholesale biomass was unfavorably impacted by lower average selling prices realized during the year ended December 31, 2024 as compared to the same period in the prior year. Gross profit dollars for our CPG segment increased by $3.3 million primarily due to the increase in revenues as well as decreases in product and production costs. Gross profit dollars for our retail segment was comparable with the prior year.

Total Operating Expenses

Total operating expenses for the years ended December 31, 2024 was $91.7 million, a decrease of $38.8 million, or 30%, compared to total operating expenses of $130.5 million for the year ended December 31, 2023. The decrease in total operating expenses was attributable to the factors described below.

General and administrative expenses for the years ended December 31, 2024 and 2023 were $60.1 million and $52.9 million, respectively, an increase of $7.2 million, or 14%. The increase in general and administrative expenses is primarily attributed to an increase of $6.8 million in employee-related costs, which includes stock-based compensation.

Sales and marketing expenses for the years ended December 31, 2024 and 2023 were $2.4 million and $2.8 million, respectively, a decrease of $0.4 million, or 14%. The decrease was primarily attributable to decreases in advertising and royalty expenses of $0.4 million.

Professional fees for the years ended December 31, 2024 and 2023 were $7.8 million and $7.3 million, respectively, an increase of $0.5 million, or 7%. The increase in professional fees was primarily attributable to an increases in accounting fees as compared to the same period in the prior year.

Depreciation and amortization expenses for the years ended December 31, 2024 and 2023 were $15.0 million and $14.6 million, respectively, an increase of $0.4 million, or 3%, which is largely consistent period over period.

There was a $6.3 million intangible asset impairment expense recognized during the year ended December 31, 2024 compared to $14.9 million in the prior year. During the year ended December 31, 2024, we recognized $6.3 million of other than temporary intangible asset impairment in our cannabis licenses related to our retail reportable segment as a result of updated earnings projections for unforeseen changes in the market from more than expected retail competition. During the year ended December 31, 2023, we recognized $9.4 million of other than temporary impairment in our cannabis licenses related to our retail reportable segment as a result of unforeseen changes in the market from more than expected retail competition in the latter half of calendar 2023. Additionally, during the year ended December 31, 2023, we recognized $2.0 million and $3.5 million of other than temporary impairment in customer relationships and intellectual property, respectively, related to our CPG reportable segment as a result of updated earnings projections for unforeseen changes in market demand in the CPG market.

During the year ended December 31, 2023, we recognized $23.8 million of goodwill impairment in our retail reportable segment as a result of unforeseen changes in the market from more than expected retail competition. Additionally, during the year ended December 31, 2023, we recognized $14.1 million of goodwill impairment in our CPG reportable segment due to unforeseen changes in market demand in the CPG market.

Total Other (Income) Expense

Total other (income) expense for the years ended December 31, 2024 and 2023 was income of $5.5 million and expense of $38.6 million, respectively, a change of $44.1 million, or 114%. A gain of $13.7 million on the change in fair value of contingent liabilities and shares payable was recognized during the year ended December 31, 2024 as compared to a loss of $24.4 million resulting in a change of $38.1 million. The change in other (income) expense was also due to a decrease in the loss on equity method investments of $2.1 million, a $1.0 million loan amendment fee recognized in the prior year, a decrease in change in fair value of derivative assets of $0.7 million and $0.4 million of Employee Retention Tax Credits received in the fourth quarter of 2024.

Provision for Income Taxes

Provision for income taxes for the years ended December 31, 2024 and 2023 was $10.5 million and $9.9 million, respectively, an unfavorable change of $0.6 million, or 6%. The unfavorable change in the provision for income taxes was the result of our change in tax position.

The following are the results of our operations (unaudited) for the three months ended December 31, 2024 compared to the three months ended December 31, 2023 (in thousands, except share and per share data):

	Three Months Ended December 31,	
	2024	2023
Revenues, Net	$ 53,039	$ 40,429
Cost of Goods Sold (Exclusive of Depreciation and Amortization Shown Separately Below)	30,288	22,417
Gross Profit	22,751	18,012
Operating Expenses:		
General and Administrative	14,808	13,286
Sales and Marketing	639	634
Professional Fees	1,354	1,898
Depreciation and Amortization	3,874	3,545
Impairment Expense for Goodwill	—	23,768
Impairment Expense for Intangible Assets	—	8,049
Total Operating Expenses	20,675	51,180
Income (Loss) from Operations	2,076	(33,168)
Other (Income) Expense:		
Interest Expense	2,130	3,033
Interest Income	—	—
Gain on Equity Method Investments	(45)	(35)
Gain on Change in Fair Value of Derivative Asset	(6)	(195)
(Gain) Loss on Change in Fair Value of Contingent Liabilities and Shares Payable	(12,296)	5,913
Other (Income) Expense, Net	(392)	449
Total Other (Income) Expense, Net	(10,609)	9,165
Income (Loss) from Operations Before Provision for (Benefit from) Income Taxes	12,685	(42,333)
Provision for (Benefit from) Income Taxes	526	(4,218)
Net Income (Loss)	12,159	(38,115)
Net Income Attributable to Non-Controlling Interest	56	83
Net Income (Loss) Attributable to the Company	**$ 12,103**	**$ (38,198)**
Income (Loss) Per Share - Basic	**$ 0.10**	**$ (0.58)**
Income (Loss) Per Share - Diluted	**$ 0.09**	**$ (0.58)**
Weighted-Average Shares Outstanding - Basic	**77,477,756**	**73,087,333**
Weighted-Average Shares Outstanding - Diluted	**85,859,373**	**73,087,333**

Revenue

Revenue for the three months ended December 31, 2024 was $53.0 million, which represents an increase of $12.6 million, or 31%, from $40.4 million for the three months ended December 31, 2023. Biomass revenue increased by $9.5 million, or 35%, cannabis retail revenue increased by $2.2 million, or 23%, and CPG revenue increased by $0.9 million, or 22%, for the three months ended December 31, 2024 as compared to the same period in the prior year. The increase in wholesale biomass revenue was primarily attributable to increased production resulting from the commencement of cultivation at Greenhouse 5 in late January 2024 and the continued demand for our production. As a result, our cultivation facilities reported $36.3 million in wholesale biomass revenue compared to $26.8 million in the same period in the prior year. The increase in retail operations revenues was primarily attributable to our strategic pricing initiative which resulted in lower consumer prices and increased consumer traffic. The increase in CPG revenues was attributable to consumer demand for our brands, primarily our value-oriented brand, Allswell.

Cost of Goods Sold and Gross Profit

Cost of goods sold for the three months ended December 31, 2024 was $30.3 million, an increase of $7.9 million, or 35%, compared with $22.4 million for the three months ended December 31, 2023. Gross profit for the three months ended December 31, 2024 was $22.8 million, representing a gross margin of 43%, compared to a gross profit of $18.0 million, representing a gross margin of 45% for the three months ended December 31, 2023. The increase in cost of goods sold during the three months ended December 31, 2024 was primarily attributable to our growth in revenue and accompanying increase in production. Gross profit dollars for our wholesale biomass segment increased by $3.0 million primarily due to the increase in revenues. Gross profit percentage for wholesale biomass was unfavorably impacted by lower average selling prices realized during the three months ended December 31, 2024 as compared to the same period in the prior year. Gross profit dollars for our CPG segment increased by $1.6 million primarily due to the increase in revenue as well as decreases in product and production costs. Gross profit dollars for our retail segment was comparable with the prior year.

Total Operating Expenses

Total operating expenses for the three months ended December 31, 2024 was $20.7 million, a decrease of $30.5 million, or 60%, compared to total operating expenses of $51.2 million for the three months ended December 31, 2023. The decrease in total operating expenses was attributable to the factors described below.

General and administrative expenses for the three months ended December 31, 2024 and 2023 were $14.8 million and $13.3 million, respectively, an increase of $1.5 million, or 11%. The increase in general and administrative expenses was primarily attributed to an increase of $1.3 million in stock-based compensation expenses.

Sales and marketing expenses for the three months ended December 31, 2024 and 2023 were $0.6 million in each period. Sales and marketing expenses include trade marketing, point of sale marketing for our wholesale CPG business product lines and promotions in various media outlets.

Professional fees for the three months ended December 31, 2024 and 2023 were $1.4 million and $1.9 million, respectively, a decrease of $0.5 million, or 26%. The decrease in professional fees was primarily attributable to decreases in legal fees as compared to the same period in the prior year.

Depreciation and amortization expenses for the three months ended December 31, 2024 and 2023 were $3.9 million and $3.5 million, respectively, which is largely consistent period over period.

Impairment expense for goodwill for the three months ended December 31, 2023 was $23.8 million. During the three months ended December 31, 2023, management noted indicators of impairment related to our retail segment and recorded impairment expense of $23.8 million. There were no such impairments recognized during the three months ended December 31, 2024.

Impairment expense for intangible assets for the three months ended December 31, 2023 was $8.0 million. During the three months ended December 31, 2023, we recognized $8.0 million of other than temporary impairment on cannabis licenses related to our retail and wholesale biomass reportable segments. There were no such impairments recognized during the three months ended December 31, 2024.

Total Other (Income) Expense

Total other (income) expense for the three months ended December 31, 2024 as compared to 2023 were income of $10.6 million and expense of $9.2 million, respectively, a change of $19.8 million, or 215%. A gain of $12.3 million on the change in fair value of contingent liabilities and shares payable was recognized during the three months ended December 31, 2024 as compared to a loss of $5.9 million during the three months ended December 31, 2023 resulting in a change of $18.2 million. The change in other (income) expense was also due to a decrease in interest expense of $0.9 million and $0.4 million of Employee Retention Tax Credits received during three months ended December 31, 2024.

Provision for (Benefit from) Income Taxes

Provision for (benefit from) income taxes for the three months ended December 31, 2024 and 2023 was a provision of $0.5 million as compared to a benefit of $4.2 million, respectively, an unfavorable change of $4.7 million, or 112%. The unfavorable change in the provision for (benefit from) income taxes was the result of our change in tax position.

Non-GAAP Financial Measures

In addition to providing financial measurements based on GAAP, we provide additional financial metrics that are not defined under, prepared in accordance with or a standardized financial measure under GAAP. Management uses such non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision-making, for planning and forecasting purposes and to evaluate our financial performance. These non-GAAP financial measures (collectively, the “non-GAAP financial measures”) are:

EBITDA	Net income (loss) (GAAP) adjusted for interest and financing costs, income taxes, depreciation, and amortization. This non-GAAP measure represents our current operating profitability and ability to generate cash flow.
Adjusted EBITDA	EBITDA (non-GAAP) adjusted for share-based compensation, stock appreciation rights expense, change in equity method investments, impairment expense for goodwill and intangible assets, change in fair value of derivative instruments, change in fair value of contingent liabilities and shares payable and certain debt-related fees. This non-GAAP measure represents our current operating profitability and ability to generate cash flow excluding non-recurring, irregular or one-time expenditures in order to improve comparability.

Management believes that these non-GAAP financial measures assess our ongoing business in a manner that allows for meaningful comparisons and analysis of trends in the business, as they facilitate comparing financial results across accounting periods and to those of peer companies. Management also believes that these non-GAAP financial measures enable investors to evaluate our operating results and future prospects in the same manner as management. These non-GAAP financial measures may also exclude certain material non-cash items, expenses and gains and other adjustments that may be unusual in nature, infrequent or that we believe are not reflective of our ongoing operating results and performance.

As there are no standardized methods of calculating these non-GAAP financial measures, our methods may differ from those used by others, and accordingly, the use of these measures may not be directly comparable to similarly titled measures used by others in the cannabis industry or otherwise. Accordingly, these non-GAAP financial measures are intended to provide additional information and are not intended to represent and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with GAAP as measures of operating performance or operating cash flows or as measures of liquidity. Such non-GAAP financial measures should only be considered in conjunction with the GAAP financial measures presented herein and in our Financial Statements.

These supplemental non-GAAP financial measures are presented because management has evaluated the financial results both including and excluding the adjusted items and believe that the supplemental non-GAAP financial measures presented provide additional perspective and insights when analyzing the core operating performance of the business. In addition, we believe investors use both GAAP and non-GAAP measures to assess management’s past and future decisions associated with our priorities and allocation of capital, as well as to analyze how the business operates in, or responds to, swings in economic cycles or to other events that impact the cannabis industry.

These non-GAAP financial measures exclude certain material non-cash items and certain other adjustments we believe are not reflective of our ongoing operations and performance. These non-GAAP financial measures are not intended to represent and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with GAAP as measures of operating performance or operating cash flows or as measures of liquidity. These non-GAAP financial measures have important limitations as analytical tools and should not be considered in isolation or as a substitute for any standardized measure under GAAP. For example, certain of these non-GAAP financial measures:

- exclude certain tax payments that may reduce cash available to us;
- do not reflect any cash capital expenditure requirements for the assets being depreciated and amortized that may have to be replaced in the future;
- do not reflect changes in, or cash requirements for, working capital needs; and
- do not reflect the interest expense, or the cash requirements necessary to service interest or principal payments on debt.

Other companies in the cannabis industry may calculate these measures differently than we do, limiting their usefulness as comparative measures.

Adjusted EBITDA (non-GAAP)

The following table provides a reconciliation of our Net Income (Loss) to Adjusted EBITDA (non-GAAP) for the year ended December 31, 2024 compared to the year ended December 31, 2023 (in thousands):

	Year Ended December 31,	
	2024	**2023**
Net Income (Loss) (GAAP)	$ 721	$ (98,061)
Depreciation and Amortization	15,044	14,627
Interest Expense	9,184	9,819
Provision for (Benefit from) Income Taxes	10,498	9,943
EBITDA (Non-GAAP)	35,447	(63,672)
Adjustments:		
Share-Based Compensation	13,098	7,637
Stock Appreciation Rights Expense	262	219
(Gain) Loss on Equity Method Investments	(14)	2,102
Impairment Expense for Goodwill	—	37,912
Impairment Expense for Intangible Assets	6,300	14,903
Change in Fair Value of Derivative Asset	(690)	28
Change in Fair Value of Contingent Liabilities and Shares Payable	(13,724)	24,399
Employee Retention Tax Credit	(423)	—
Loan Amendment Fee	—	1,000
Adjusted EBITDA (Non-GAAP)	$ 40,256	$ 24,528

On a non-GAAP basis, we recorded Adjusted EBITDA (Non-GAAP) of $40.3 million for the year ended December 31, 2024, compared to an Adjusted EBITDA (Non-GAAP) of $24.5 million for the year ended December 31, 2023, a favorable variance of $15.8 million, or 64%. The increase was driven entirely by an increase in gross profit, as discussed in the Cost of Goods Sold and Gross Profit section above, for the year ended December 31, 2024 as compared to the year ended December 31, 2023.

The following table provides a reconciliation of the Company's Net Income (Loss) to Adjusted EBITDA (non-GAAP) for the three months ended December 31, 2024 compared to the three months ended December 31, 2023 (in thousands):

	Three Months Ended December 31,	
	2024	2023
Net Income (Loss) (GAAP)	$ 12,159	$ (38,115)
Depreciation and Amortization	3,874	3,545
Interest Expense	2,130	3,033
Provision for (Benefit from) Income Taxes	526	(4,218)
EBITDA (Non-GAAP)	18,689	(35,755)
Adjustments:		
Share-Based Compensation	3,258	1,909
Stock Appreciation Rights Expense	(159)	119
Gain on Equity Method Investments	(45)	(35)
Impairment Expense for Goodwill	—	23,768
Impairment Expense for Intangible Assets	—	8,049
Change in Fair Value of Derivative Asset	(6)	(195)
Change in Fair Value of Contingent Liabilities and Shares Payable	(12,296)	5,913
Employee Retention Tax Credit	(423)	—
Adjusted EBITDA (Non-GAAP)	$ 9,018	$ 3,773

On a non-GAAP basis, we recorded Adjusted EBITDA (Non-GAAP) of $9.0 million for the three months ended December 31, 2024, compared to an Adjusted EBITDA (Non-GAAP) of $3.8 million for the three months ended December 31, 2023, a favorable variance of $5.2 million, or 137%. The increase was driven entirely by an increase in gross profit, as discussed in the Cost of Goods Sold and Gross Profit section above, for the three months ended December 31, 2024 as compared to the three months ended December 31, 2023.

Selected Quarterly Information

A summary of selected information for each of the quarters presented is as follows (in thousands, except per share data):

	Revenues	Net Income (Loss) Before Non-Controlling Interest	Earnings (Loss) Per Share-Basic Attributable to the Company	Earnings (Loss) Per Share-Diluted Attributable to the Company
December 31, 2024	$ 53,039	$ 12,159	$ 0.10	$ 0.09
September 30, 2024	63,821	(3,208)	(0.09)	(0.09)
June 30, 2024	53,938	10,039	0.08	0.08
March 31, 2024	30,100	(18,269)	(0.30)	(0.30)
December 31, 2023	40,429	(38,115)	(0.58)	(0.58)
September 30, 2023	48,187	(210)	(0.10)	(0.10)
June 30, 2023	44,665	(24,952)	(0.39)	(0.39)
March 31, 2023	27,555	(34,783)	(0.52)	(0.52)

Revenue for the quarter ended December 31, 2024 was $53.0 million, a decrease of $10.8 million, or 17%, as compared to revenue of $63.8 million for the quarter ended September 30, 2024. The decrease in revenue was primarily due to a decrease in biomass sales attributable to decreased production at the Camarillo Facility which reported $36.3 million and $47.8 million for the quarters ended December 31, 2024 and September 30, 2024, respectively.

Revenue for the quarter ended September 30, 2024 was $63.8 million, an increase of $9.9 million, or 18%, as compared to revenue of $53.9 million for the quarter ended June 30, 2024. The increase in revenue was primarily due to increased biomass sales attributable to increased production at the Camarillo Facility which reported $47.8 million and $39.1 million for the quarters ended September 30, 2024 and June 30, 2024, respectively.

Revenue for the quarter ended June 30, 2024 was $53.9 million, an increase of $23.8 million, or 79%, as compared to revenue of $30.1 million for the quarter ended March 31, 2024. The increase in revenue was primarily due to increased biomass sales attributable to increased production at the Camarillo Facility which reported $39.1 million and $15.9 million for the quarters ended June 30, 2024 and March 31, 2024, respectively.

Revenue for the quarter ended March 31, 2024 was $30.1 million, a decrease of $10.3 million, or 26%, as compared to revenue of $40.4 million for the quarter ended December 31, 2023. The decrease in revenue was primarily due to decreased biomass sales due to the seasonality of plant cycle which reported $15.9 million and $26.9 million for the quarters ended March 31, 2024 and December 31, 2023, respectively.

Revenue for the quarter ended December 31, 2023 was $40.4 million, a decrease of $7.8 million, or 16%, as compared to revenue of $48.2 million for the quarter ended September 30, 2023. The decrease in revenue was primarily due to decreased biomass sales due to lower average selling prices realized in the quarter which reported $26.9 million and $33.9 million for the quarters ended December 31, 2023 and September 30, 2023, respectively.

Revenue for the quarter ended September 30, 2023 was $48.2 million, an increase of $3.5 million, or 8%, as compared to revenue of $44.7 million for the quarter ended June 30, 2023. The increase in revenue was primarily due to higher biomass sales driven by increased production due to seasonality of plant cycle of $3.2 million for the quarter ended September 30, 2023 as compared to the prior quarter.

Revenue for the quarter ended June 30, 2023 was $44.7 million, an increase of $17.1 million, or 62%, from $27.6 million for the quarter ended March 31, 2023. The increase in revenue was primarily due to higher biomass sales driven by increased production due to seasonality of plant cycle, and, to a lesser extent, an increase in average wholesale biomass pricing.

Net income for the quarter ended December 31, 2024 was $12.2 million which represents a favorable change of $15.4 million, or 481%, from a net loss of $3.2 million for the quarter ended September 30, 2024. The change was primarily due to a favorable change of $12.3 million on the change in the fair value of contingent liabilities and shares payable, an $8.6 million decrease in the provision for income taxes and $6.3 million of other than temporary intangible asset impairment in the prior quarter. These favorable changes were partially offset by a decrease of $10.7 million in gross profit.

Net loss for the quarter ended September 30, 2024 was $3.2 million, which represents an unfavorable change of $13.2 million, or 132%, from a net income of $10.0 million for the quarter ended June 30, 2024. The change was primarily due to an unfavorable change of $7.9 million on the change in the fair value of contingent liabilities and shares payable, $6.3 million of other than temporary intangible asset impairment in the quarter ended September 30, 2024 and a $8.7 million increase in the provision for income taxes. These unfavorable changes were partially offset by an increase of $4.8 million in gross profit and a $2.9 million decrease in general and administrative expenses.

Net income for the quarter ended June 30, 2024 was $10.0 million, which represents a favorable change of $28.3 million, or 155%, from a net loss of $18.3 million for the quarter ended March 31, 2024. The favorable change was primarily due to an increase of $16.1 million in gross profit and a favorable change of $14.4 million on the change in fair value of contingent liabilities and shares payable.

Net loss for the quarter ended March 31, 2024 was $18.3 million, which represents a favorable change of $19.8 million, or 52%, from a net loss of $38.1 million for the quarter ended December 31, 2023. The favorable change was primarily due to the decline in impairments recognized during the three months ended March 31, 2024, while $31.8 million of impairment was recognized during the three months ended December 31, 2023.

Net loss for the quarter ended December 31, 2023 was $38.1 million, which represents an unfavorable change of $37.9 million from a net loss of $0.2 million for the quarter ended September 30, 2023. The unfavorable change was primarily due to increased loss from operations related to intangible impairments coupled with increased total other expense during the quarter ended December 31, 2023 as compared to the third fiscal quarter of 2023.

Net loss for the quarter ended September 30, 2023 was $0.2 million, which represents a favorable change of $24.8 million, or 99%, from a net loss of $25.0 million for the quarter ended June 30, 2023. The favorable change was primarily due to loss on change in fair value of contingent liabilities and shares payable of $19.1 million reported during the quarter ended June 30, 2023 as compared to a gain of $4.0 million for the quarter ended September 30, 2023.

Net loss for the quarter ended June 30, 2023 was $25.0 million, which represents a favorable change of $9.8 million, or 28%, from net loss of $34.8 million for the quarter ended March 31, 2023. The favorable change was primarily due to an increase in gross profit coupled with a decrease in operating expenses for the quarter ended June 30, 2023.

Liquidity and Capital Resources

Overview

Historically, our primary source of liquidity has been our operations, capital contributions made by equity investors, preferred equity investors and debt issuances. We meet our current operational obligations as they become due from our current working capital and from operations. However, we have sustained losses since inception and may require additional capital in the future. As of and for the year ended December 31, 2024, we had an accumulated deficit of $190.4 million, net income attributable to the Company of $0.5 million and net cash provided by operating activities of $28.4 million. We estimate that based on current business operations and working capital, we will continue to meet our obligations as they become due in the short term. We generate cash from revenues and deploying our capital reserves to acquire and develop assets capable of producing additional revenues and earnings over both the immediate and near term. Capital reserves are primarily being utilized for capital expenditures, facility improvements, product development and marketing. We expect to continue to finance our operations, capital expenditures, facility improvements, product development and marketing primarily through cash from sales to our customers and may consider future equity issuances and debt financing arrangements.

Liquidity risk is the risk that we will not be able to meet our financial obligations associated with financial liabilities. We manage liquidity risk through the management of our capital structure. Our approach to managing liquidity is to ensure that we will have sufficient liquidity to settle obligations and liabilities when due. In the event sufficient cash flow is not available from operating activities, we may continue to raise equity or debt capital from investors in order to meet liquidity needs. If we are not able to secure adequate additional funding, we may be forced to make reductions in spending, extend payment terms with suppliers, liquidate assets where possible, or suspend or curtail planned programs. Any of these actions could materially harm our business, results of operations and future prospects. There can be no assurance that such financing will be available or will be on terms acceptable to us.

Private Placement Financing

On March 31, 2023, through our subsidiary, GH Group, we closed on a private placement financing of 300 GH Group Series C Preferred Shares with an aggregate face value of $0.3 million. In conjunction with these transactions, we issued 60,000 warrants. The warrants have an exercise price of $5.00 per warrant which expire in August 2027. We recorded the fair value of the Series C Preferred Shares in the amount of $0.2 million, which is net of the value allocated to the newly issued warrants of $0.1 million. The Series C Preferred Shares are accounted for as mezzanine non-controlling interest as the Series C Preferred Shares redemption feature is not in our sole control. The Series C Preferred Shares were accreted by accrued but unpaid dividends and were therefore adjusted to their redemption value as of December 31, 2023 with an adjustment of $0.1 million.

During the year ended December 31, 2023, through our subsidiary, GH Group, we closed on a private placement financing of 15,000 GH Group Series D Preferred Shares with an aggregate face value of $15.0 million. In conjunction with these transactions, we issued 3,000,000 warrants. The warrants have an exercise price of $6.00 per warrant and expire in August 2028. We recorded the fair value of the Series D Preferred Shares in the amount of $9.3 million, which is net of the value allocated to the newly issued warrants of $5.7 million. The Series D Preferred Shares are accounted for as mezzanine non-controlling interest as the Series D Preferred Shares redemption feature is not in our sole control. The Series D Preferred Shares were accreted by accrued but unpaid dividends and were therefore adjusted to their redemption value as of December 31, 2023 with an adjustment of $5.7 million.

At-The-Market Program

We commenced the at-the-market distribution program (the “ATM Program”) in December 2024 by means of a prospectus supplement dated December 2, 2024 (the "Prospectus Supplement") to its short form base shelf prospectus dated May 16, 2024 (the "Shelf Prospectus") with the securities regulatory authorities in all provinces and territories of Canada in connection with the ATM program. The ATM Program is pursuant to the terms of an equity distribution agreement dated November 13, 2024 (the “Equity Distribution Agreement”) with ATB Securities Inc. and Canaccord Genuity Corp., pursuant to which, we may from time to time sell up to $25 million of the Company’s Subordinate Voting Shares, Restricted Voting Shares and Limited Voting Shares (collectively, the “Equity Shares”) under the ATM Program. To the extent we utilize the ATM Program, we intend to use the net proceeds primarily for an expansion of our facilities in Camarillo, California (the “Phase III expansion”), and/or general corporate purposes.

Since the Equity Shares will be distributed at trading prices prevailing at the time of the sale, prices may vary between purchasers and during the period of distribution. The volume and timing of sales will be determined at our management's sole discretion and in accordance with the terms of the Equity Distribution Agreement.

During the three months ended December 31, 2024, we issued 10,000 shares under the ATM Program at an average price of $6.72 per share for gross proceeds of $67 thousand. We received net proceeds of $66 thousand after paying commissions of $1 thousand to the sales agent for the 2024 ATM Program and $276 in other transaction costs.

Senior Secured Credit Facility

On February 28, 2025, we entered into a senior secured credit facility for an aggregate principal amount of $50 million, maturing on February 28, 2030 (the “Senior Secured Credit Facility”). The initial interest rate for the Senior Secured Credit Facility is 8.75% and has a floating interest rate based on the Wall Street Journal's prime rate plus 1.25%. On February 28, 2025, we entered into an interest rate swap agreement with a notional amount of $50 million that effectively converted the variable-rate debt to a fixed rate of 8.58%. The interest rate swap agreement expires on February 28, 2030.

Payments for the first two years are interest only. Principal and interest payments will be made during the last three years based on a straight-line amortization of the loan amount over a period of 15 years, with a balloon payment of $40 million due on the maturity date.

The Senior Secured Credit Facility will be secured by a first priority lien on our Camarillo, Padaro and Casitas greenhouse farms and facilities and a first priority lien on the rest of our assets excluding other real estate.

The Senior Secured Credit Facility contains a covenant which requires us to maintain liquidity in excess of $10 million at all times. The Senior Secured Credit Facility also contains a covenant which requires us to maintain a Consolidated Fixed-Charge Coverage Ratio of at least 1.25x measured quarterly on a trailing-twelve-month basis commencing as of December 31, 2024. The Fixed-Charge Coverage Ratio is defined as Adjusted EBITDA minus income tax expense divided by the current portion of long-term debt plus interest expense plus the current portion of capital leases. Preferred equity dividend payments and convertible debt payments are not included in the Fixed-Charge Coverage Ratio calculation as the former can be suspended if needed and the latter can be paid in shares.

We used the proceeds from the Senior Secured Credit Facility to repay the remaining balance of the Credit Agreement term loan in the amount of $40.6 million plus fees on February 28, 2025 and intend to use the remaining proceeds for working capital and general corporate purposes.

Financial Condition

Cash Flows

The following table summarizes our Consolidated Statements of Cash Flows from the Financial Statements for the years ended December 31, 2024 and 2023 (in thousands):

	Year Ended December 31, 2024	Year Ended December 31, 2023
Net Cash Provided by Operating Activities	$ 28,392	$ 23,224
Net Cash Used in Investing Activities	(10,294)	(12,714)
Net Cash Provided by (Used in) Financing Activities	(13,699)	7,870
Net Increase in Cash, Restricted Cash and Cash Equivalents	4,399	18,380
Cash, Restricted Cash and Cash Equivalents, Beginning of Period	32,524	14,144
Cash, Restricted Cash and Cash Equivalents, End of Period	**$ 36,923**	**$ 32,524**

Cash Flow from Operating Activities

Net cash provided by operating activities was $28.4 million for the year ended December 31, 2024, an increase of $5.2 million, or 22%, as compared to net cash provided by operating activities of $23.2 million for the year ended December 31, 2023. The increase was due to a favorable change in net income (loss), net of adjustments to reconcile net income (loss) to net cash provided by operating activities, of $15.0 million for the year ended December 31, 2024 as compared to the same period in the prior year primarily due to higher gross profit. This was offset by an unfavorable change in net operating assets and liabilities of $9.8 million for the year ended December 31, 2024 as compared to the same period in the prior year primarily due to the opening of Greenhouse 5 in 2024.

Cash Flow from Investing Activities

Net cash used in investing activities was $10.3 million for the year ended December 31, 2024, a decrease of $2.4 million, or 19%, compared to net cash used in investing activities of $12.7 million for the year ended December 31, 2023. This decrease was primarily driven by the timing of capital expenditures related to the opening of Green House 5 in early 2024 compared to spending for Phase 3 expansion at the Camarillo property during the year ended December 31, 2024.

Cash Flow from Financing Activities

Net cash used in financing activities was $13.7 million for the year ended December 31, 2024, a decrease of $21.6 million, or 273%, compared to net cash provided by financing activities of $7.9 million for the year ended December 31, 2023. This decrease was primarily driven by $15.3 million of proceeds received from the issuance of preferred shares in the prior year and an increase of $6.9 million of payments on notes payable during the year ended December 31, 2024 compared to the same period in the prior year.

As discussed in the Liquidity and Capital Resources section above, our primary source of liquidity has been operations, capital contributions made by equity investors and debt issuances. In the event sufficient cash flow is not available from operating activities, we may continue to raise equity capital from investors in order to meet liquidity needs.

Contractual Obligations

We have contractual obligations to make future payments, including debt agreements and lease agreements from third parties.

The following table summarizes such obligations as of December 31, 2024 (in thousands):

	2025	2026	2027-2028	After 2028	Total
Notes Payable to Third Parties	$ 7,556	$ 34,436	$ 16,267	$ —	$ 58,259
Lease Obligations	3,509	2,929	3,978	4,111	14,527
Total Contractual Obligations	**$ 11,065**	**$ 37,365**	**$ 20,245**	**$ 4,111**	**$ 72,786**

Off-Balance Sheet Arrangements

As of the date of this MD&A, we do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on our results of operations or financial condition including, without limitation, such considerations as liquidity and capital resources that have not previously been discussed.

Transactions with Related Parties

Related parties are defined as management and members of the Company and/or members of their immediate family and/or other companies and/or entities in which a board member or senior officer is a principal owner or senior executive. Other than disclosed elsewhere herein and in the Financial Statements, related party transactions and balances are as follows:

Leases

Neo Street Partners LLC, a company partially owned by an executive and board member of the Company, entered into a five-year lease with a subsidiary of the Company. The lease, which commenced in October 2018, provides for an initial annual base rent payment of $213 thousand, increasing to $243 thousand for years two to five. The lease was renewed for one year starting in October 2024. Rent expense for the years ended December 31, 2024 and 2023 were $373 thousand and $439 thousand, respectively.

3645 Long Beach LLC, a company partially owned by an executive and board member of the Company, entered into a five-year lease with a subsidiary of the Company. The lease, which commenced in December 2019, provides for an initial annual base rent payment of $64 thousand, increasing to $69 thousand for year two and increasing five percent per annum thereafter. Rent expense for the years ended December 31, 2024 and 2023 were $80 thousand and $77 thousand, respectively.

Isla Vista GHG LLC, a company partially owned by executives and board members of the Company, entered into a ten-year lease with a subsidiary of the Company. The lease, which commenced on the first calendar day after the Company publicly announced the opening of a retail cannabis location at the leased property (the "Commencement Date"), provides for an initial monthly rent of $5 thousand starting April 19, 2022 until the Commencement Date. Effective on the Commencement Date, the initial annual base rent payment is $144 thousand and increasing three percent per annum thereafter. Rent expense for the years ended December 31, 2024 and 2023 were $269 thousand in each period.

In August 2022, the Kazan Trust dated December 10, 2004, a trust of which the trustee is an executive and board member of the Company, acquired partial ownership of a real estate entity that entered into a ten-year lease with a subsidiary of the Company. The lease, which commenced in July 2022, provides for an initial annual base rent payment of $36 thousand, increasing three percent per annum thereafter. Rent expense for the years ended December 31, 2024 and 2023 were $36 thousand in each period.

Consulting Agreement

Beach Front Property Management Inc., a company that is majority-owned by an executive and certain board members of the Company, entered into a consulting agreement with the Company dated September 28, 2020. The monthly consulting fee is $11 thousand for mergers and acquisitions advisory and assistance and real estate acquisition and financing services. The agreement may be terminated by either party for any/or no reason without penalty upon seven days written notice. Consulting fees for the years ended December 31, 2024 and 2023 were $140 thousand and $134 thousand, respectively.

Critical Accounting Estimates

Use of Estimates

The preparation of the Financial Statements in accordance with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the dates of the Financial Statements and the reported amounts of total net revenue and expenses during the reporting period. We regularly evaluate significant estimates and assumptions related to the consolidation or non-consolidation of variable interest entities, estimated useful lives, depreciation of property and equipment, amortization of intangible assets, inventory valuation, share-based compensation, business combinations, goodwill impairment, long-lived asset impairment, purchased asset valuations, fair value of financial instruments, compound financial instruments, derivative liabilities, deferred income tax asset valuation allowances, incremental borrowing rates, lease terms applicable to lease contracts and going concern. These estimates and assumptions are based on current facts, historical experience and various other factors that we believe to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities and the recording of revenue, costs and expenses that are not readily apparent from other sources. Our actual results may differ materially and adversely from these estimates. To the extent there are material differences between the estimates and actual results, our future results of operations could be negatively impacted.

Estimated Useful Lives and Depreciation of Property and Equipment

Depreciation of property 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.

Estimated Useful Lives and Amortization of Intangible Assets

Amortization of intangible assets is dependent upon estimates of useful lives and residual values which are determined through the exercise of judgment. 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 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.

Impairment of Long-Lived Assets

For purposes of the impairment test, long-lived assets such as property, plant and equipment and definite-lived intangible assets are grouped with other assets and liabilities at the lowest level for which identifiable independent cash flows are available (“asset group”). We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. In order to determine if assets have been impaired, the impairment test is a two-step approach wherein the recoverability test is performed first to determine whether the long-lived asset is recoverable. The recoverability test (Step 1) compares the carrying amount of the asset to the sum of its future undiscounted cash flows using entity-specific assumptions generated through the asset’s use and eventual disposition. If the carrying amount of the asset is less than the cash flows, the asset is recoverable and an impairment is not recorded. If the carrying amount of the asset is greater than the cash flows, the asset is not recoverable and an impairment loss calculation (Step 2) is required. The measurement of the impairment loss to be recognized is based on the difference between the fair value and the carrying value of the asset group. Fair value can be determined using a market approach, income approach or cost approach. The cash flow projection and fair value represents management’s best estimate, using appropriate and customary assumptions, projections and methodologies, at the date of evaluation. In accordance with GAAP, the reversal of impairment losses is prohibited.

Fair Value Measurements

We apply fair value accounting for all financial assets and liabilities and non-financial assets and liabilities that are recognized or disclosed at fair value in the Financial Statements on a recurring basis. 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, we consider the principal or most advantageous market in which we would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as risks inherent in valuation techniques, transfer restrictions and credit risk. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1 – Quoted prices in active markets for identical assets or liabilities.

Level 2 – Observable inputs other than quoted prices in active markets for identical assets and liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Inputs that are generally unobservable and typically reflect management's estimate of assumptions that market participants would use in pricing the asset or liability.

There have been no transfers into or out of Level 3 during the year ended December 31, 2024.

Impairment of Financial Instruments

We assess all information available, including on a forward-looking basis, related to the expected credit loss associated with its assets carried at amortized cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. To assess whether there is a significant increase in credit risk, we compare the risk of a default occurring on the asset at the reporting date with the risk of default at the date of initial recognition based on available information, and forward-looking information that is reasonable and supportive. For accounts receivable only, we recognize a loss allowance based on lifetime expected credit losses at each reporting date from the date of the trade receivable. Expected credit losses are measured as the difference in the present value of the contractual cash flows that are due to us under the contract and the cash flows that we expect to receive. We assess all information available, including past due status, credit ratings, the existence of third-party insurance, and forward-looking macro-economic factors in the measurement of the expected credit losses associated with assets carried at amortized cost. We measure expected credit loss by considering the risk of default over the contract period and incorporate forward-looking information into the measurement.

Leased Assets

In accordance with Accounting Standards Codification ("ASC") 842, *Leases*, we determine if an arrangement is a lease at inception. Leases with a lease term of 12 months or less that do not include an option to purchase the underlying asset that we are reasonably certain to exercise, also known as short-term leases, are excluded from the right-of-use assets and lease liabilities on the balance sheet.

We apply judgment in determining whether a contract contains a lease and if a lease is classified as an operating lease or a finance lease. We apply judgement in determining the lease term as the non-cancellable term of the lease, which may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. All relevant factors that create an economic incentive for us to exercise either the renewal or termination options are considered. We reassess the lease term if there is a significant event or change in circumstances that is within our control and affects our ability to exercise or not to exercise the option to renew or to terminate. We apply judgment in allocating the consideration in a contract between lease and non-lease components. We consider whether we can benefit from the right-of-use asset either on its own or together with other resources and whether the asset is highly dependent on or highly interrelated with another right-of-use asset. Lessees are required to record a right-of-use asset and a lease liability for all leases with a term greater than twelve months. Lease liabilities and their corresponding right-of-use assets are recorded based on the present value of lease payments over the expected remaining lease term. The incremental borrowing rate is determined using estimates which are based on the information available at commencement date and determines the present value of lease payments if the implicit rate is unavailable.

Derivative Assets and Liabilities

We evaluate agreements to determine if such instruments have derivatives or contain features that qualify as embedded derivatives. For derivative instruments that are accounted for as assets or liabilities, the derivative instrument is initially recorded at its fair value and is then re-valued at each reporting date, with changes in the fair value reported in the Consolidated Statements of Operations. In calculating the fair value of derivative assets and liabilities, we use a valuation model when Level 1 inputs are not available to estimate fair value at each reporting date. The classification of derivative instruments, including whether such instruments should be recorded as assets, liabilities or equity, is evaluated at the end of each reporting period. Derivative instrument assets and liabilities are classified in the Consolidated Balance Sheets as current or non-current based on whether net-cash settlement of the derivative instrument could be required within twelve months of the Balance Sheets dates.

Convertible Instruments

We evaluate and account for conversion options embedded in our convertible instruments in accordance with ASC 815, *Derivatives and Hedging*. ASC 815 generally provides three criteria that, if met, require companies to bifurcate conversion options from their host instruments and account for them as free-standing derivative financial instruments. These three criteria include circumstances in which (a) the economic characteristics and risks of the embedded derivative instrument are not clearly and closely related to the economic characteristics and risks of the host contract, (b) the hybrid instrument that embodies both the embedded derivative instrument and the host contract is not remeasured at fair value under otherwise applicable GAAP with changes in fair value reported in earnings as they occur and (c) a separate instrument with the same terms as the embedded derivative instrument would be considered a derivative instrument.

For convertible instruments with conversion features that are not required to be accounted for as derivatives under ASC 815 or that do not result in substantial premiums accounted for as paid-in capital, the convertible debt instrument is reported as a single liability instrument with no separate accounting for embedded conversion features. We also record, when necessary, deemed dividends for the intrinsic value of conversion options embedded in the Preferred Shares of GH Group based upon the differences between the fair value of the underlying common stock at the commitment date of the note transaction and the effective conversion price embedded in the note. ASC 815 provides that generally, if an event is not within the entity's control, or could require net cash settlement, then the contract shall be classified as an asset or a liability.

Consolidation of Variable Interest Entities

ASC 810, *Consolidation*, requires a variable interest holder to consolidate a variable interest entity ("VIE") if that party has the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and the obligation to absorb losses of the VIE that could potentially be significant to the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. To determine whether or not a variable interest we hold could potentially be significant to the VIE, we consider both qualitative and quantitative factors regarding the nature, size and form of our involvement with the VIE. The equity method of accounting is applied to entities in which we are not the primary beneficiary or the entity is not a VIE and we do not have effective control, but can exercise influence over the entity with respect to its operations and major decisions. We do not consolidate a VIE in which it is not considered the primary beneficiary. We evaluate our relationships with all the VIE's on an ongoing basis to reassess if we continue to be the primary beneficiary.

Share-Based Compensation

We have an equity incentive plan (the "Incentive Plan") under which we may issue various types of equity instruments or instruments that track to equity, more particularly the Equity Shares, to employees, officers, consultants and non-employee directors. The types of equity instruments issuable under the Incentive Plan encompass, among other things, stock options, unrestricted stock bonus and restricted stock units (together, "Awards").

We account for share-based awards in accordance with ASC 718, *Compensation – Stock Compensation*, which requires fair value measurement on the grant date and recognition of compensation expense for all share-based payment awards made to employees and directors, including restricted share awards. For stock options, we estimate the fair value using the Black-Scholes valuation model. When there are market-related vesting conditions to the vesting term of the share-based compensation, we use a valuation model to estimate the probability of the market-related vesting conditions being met and will record the expense. The fair value of restricted share awards is based upon the quoted market price of the common shares on the date of grant. The fair value is then expensed over the requisite service periods of the awards, which is generally the performance period, and the related amount is recognized in the Consolidated Statements of Operations of the Financial Statements.

The fair value models require the input of certain assumptions that require judgment, including the expected term and the expected share price volatility of the underlying share. The assumptions used in calculating the fair value of share-based compensation represent management's best estimates, but these estimates involve inherent uncertainties and the application of judgment. As a result, if factors change resulting in the use of different assumptions, share-based compensation expense could be materially different in the future.

Income Taxes

Deferred tax assets and liabilities are recorded for the estimated future tax effects of temporary differences between the tax basis of assets and liabilities and amounts reported in the Consolidated Balance Sheets of the Financial Statements. Effects of enacted tax law changes on deferred tax assets and liabilities are reflected as adjustments to tax expense in the period in which the law is enacted. Deferred tax assets may be reduced by a valuation allowance if it is deemed more likely than not that some or all of the deferred tax assets will not be realized.

We follow accounting guidance issued by the Financial Accounting Standards Board ("FASB") related to the application of accounting for uncertainty in income taxes. Under this guidance, we assess the likelihood of the financial statement effect of a tax position that should be recognized when it is more likely than not that the position will be sustained upon examination by a taxing authority based on the technical merits of the tax position, circumstances, and information available as of the reporting date.

Business Combinations

Business combinations are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value at the date of acquisition. Acquisition-related transaction costs are expensed as incurred and included in the Consolidated Statements of Operations of the Financial Statements. Identifiable assets and liabilities, including intangible assets, of acquired businesses are recorded at their fair value at the date of acquisition. When we acquire control of a business, any previously held equity interest is also remeasured to fair value. The excess of the purchase consideration and any previously held equity interest over the fair value of identifiable net assets acquired is recognized as goodwill. If the fair value of identifiable net assets acquired exceeds the purchase consideration and any previously held equity interest, the difference is recognized in the Consolidated Statements of Operations of the Financial Statements immediately as a gain on acquisition.

Contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. We allocate the total cost of the acquisition to the underlying net assets based on their respective estimated fair values. As part of this allocation process, we identify and attributes values and estimated lives to the intangible assets acquired.

These determinations involve significant estimates and assumptions regarding multiple, highly subjective variables, including those with respect to future cash flows, discount rates, asset lives, and the use of different valuation models, and therefore require considerable judgment. Our estimates and assumptions are based, in part, on the availability of listed market prices or other transparent market data. These determinations affect the amount of amortization expense recognized in future periods. We base fair value estimates on assumptions we believe to be reasonable but are inherently uncertain. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with ASC 450, *Contingencies*, as appropriate, with the corresponding gain or loss being recognized in earnings in accordance with ASC 805, *Business Combinations*.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, refer to Note 2, Summary of Significant Accounting Policies, of the Financial Statements.

Other Risks and Uncertainties

Credit Risk

Credit risk is the risk of a potential loss to us if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure as of December 31, 2024 and 2023 is the carrying values of cash and cash equivalents, accounts receivable and notes receivable. We do not have significant credit risk with respect to our customers. All cash and cash equivalents are placed with major U.S. financial institutions. We provide credit to certain of our customers in the normal course of business and have established credit evaluation and monitoring processes to mitigate credit risk but have limited risk as the majority of our sales are transacted with cash.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations associated with financial liabilities. We manage liquidity risk through the management of our capital structure. Our approach to managing liquidity risk is to ensure that we will have sufficient liquidity to settle obligations and liabilities when due. As of December 31, 2024 and 2023, cash generated from ongoing operations was not sufficient to fund operations and growth strategy as discussed above in Liquidity and Capital Resources. We have therefore depended on financing from sale of our equity and from debt financing to fund our operations. Overall, management does not expect the net cash contribution from our operations and investments to be positive in the near term, and we therefore expect to rely on financing from equity or debt.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Cash and cash equivalents bear interest at market rates. Our financial liabilities have fixed rates of interest and therefore expose us to a limited interest rate fair value risk.

Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. Our investments are susceptible to price risk arising from uncertainties about their future outlook, future values and the impact of market conditions. The fair value of investments in privately-held entities are based on a market approach, which uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.

Tax Risk

Tax risk is the risk of changes in the tax environment that would have a material adverse effect on our business, results of operations, and financial condition. Currently, state licensed marijuana businesses are assessed a comparatively high effective federal tax rate due to Internal Revenue Code Section 280E, which bars businesses from deducting all expenses except their cost of goods sold when calculating federal tax liability. Based on legal interpretation, it is our position that we do not owe taxes attributable to the application of Section 280E. Any increase in tax levies resulting from additional tax measures may have a further adverse effect on our operations, while any decrease in such tax levies will be beneficial to future operations.

REGULATORY ENVIRONMENT: ISSUERS WITH CANNABIS-RELATED ASSETS IN THE UNITED STATES

In accordance with Staff Notice 51-352, below is a discussion of the current federal and California regulatory regimes where the Company is currently directly and indirectly involved, through its subsidiaries and investments, in the U.S. regulated cannabis industry.

In accordance with Staff Notice 51-352, the Company evaluates, monitors and reassesses this disclosure, and any related risks, on an ongoing basis and the same will be supplemented, amended and communicated 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 the U.S. regulated cannabis industry. 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.

The Company derives its revenues from the cannabis industry in California, and the industry is illegal under U.S. federal law.

The Company is involved (through its licensed subsidiaries) in the regulated cannabis industry in the U.S. where state, local and territorial laws permit such activities. Currently, its subsidiaries and managed entities are directly engaged in the cultivation, manufacture, processing, sale and distribution of cannabis and hold the state and local adult-use and medical licenses required for its participation in the regulated cannabis marketplace in the state of California.

The Company's Statement of Financial Position and Operating Statement Exposure to U.S. Cannabis Related Activities.

As of the date of this MD&A, the majority of the Company's business was directly derived from U.S. cannabis-related activities. As such, the Company's statement of financial position and statement of profits and losses exposure to U.S. cannabis-related activities is nearly 100%.

U.S. Federal Overview

The Controlled Substances Act

The U.S. federal government regulates drugs through the federal Controlled Substances Act (21 U.S.C. § 811) (the "CSA"), which places controlled substances, including cannabis (referred to under the CSA as "marihuana" but referenced herein as "cannabis"),[1] in 1 of 5 different schedules. Cannabis is currently classified as a Schedule I drug.[2] As a Schedule I drug, the federal U.S. Drug Enforcement Agency considers cannabis to have a high potential for abuse, no currently accepted medical use in treatment in the U.S., and a lack of accepted safety for use of the drug under medical supervision[3]. By notable contrast, the U.S. federal government has a separate regulatory regime regulating industrial hemp and excludes industrial hemp from cannabis; industrial hemp is defined under U.S. federal law as "any part of the plant Cannabis sativa L., including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers," with no more than a 0.3% concentration of delta-9 tetrahydrocannabinol ("THC") on a dry weight basis (referred to herein as "hemp" or "industrial hemp"). The Company believes the CSA categorization of cannabis as a Schedule I drug is not reflective of the many medicinal properties of cannabis or the public perception thereof, and numerous studies show cannabis is not able to be abused in the same way as other Schedule I drugs, that it has medicinal properties, and that it can be safely administered[4].

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[1] The CSA states: "The term 'marihuana' means all parts of the plant Cannabis sativa L., whether growing or not; the seeds thereof; the resin extracted from any part of such plant; and every compound, manufacture, salt, derivative, mixture, or preparation of such plant, its seeds or resin. Such term does not include the mature stalks of such plant, fiber produced from such stalks, oil or cake made from the seeds of such plant, any other compound, manufacture, salt, derivative, mixture, or preparation of such mature stalks (except the resin extracted therefrom), fiber, oil, or cake, or the sterilized seed of such plant which is incapable of germination." 21 U.S.C. § 802(16).

[2] Unless otherwise noted herein, we use cannabis and marijuana interchangeably.

[3] 21 U.S.C. 812(b)(1).

[4]See Lachenmeier, DW & Rehm, J. (2015). Comparative risk assessment of alcohol, tobacco, cannabis and other illicit drugs using the margin of exposure approach. *Scientific Reports*, 5, 8126. doi: 10.1038/srep08126; see also Thomas, G & Davis, C. (2009). Cannabis, Tobacco and Alcohol Use in Canada: Comparing risks of harm and costs to society. *Visions Journa*l, 5. Retrieved from http://www.heretohelp.bc.ca/sites/default/files/visions_cannabis.pdf; see also Jacobus et al. (2009). White matter integrity in adolescents with histories of marijuana use and binge drinking. *Neurotoxicology and Teratology*, 31, 349-355. https://doi.org/10.1016/j.ntt.2009.07.006; Could smoking pot cut risk of head, neck cancer? (2009 August 25). Retrieved from https://www.reuters.com/article/us-smoking-pot/could-smoking-pot-cut-risk-of-head-neck-cancer-idUSTRE57O5DC20090825; Watson, SJ, Benson JA Jr. & Joy, JE. (2000). Marijuana and medicine: assessing the science base: a summary of the 1999 Institute of Medicine report. *Arch Gen Psychiatry Review*, 57, 547-552. Retrieved from https://www.ncbi.nlm.nih.gov/pubmed/10839332; see also Hoaken, Peter N.S. & Stewart, Sherry H. (2003). Drugs of abuse and the elicitation of human aggressive behavior. *Addictive Behaviours*, 28, 1533-1554. Retrieved from http://www.ukcia.org/research/AgressiveBehavior.pdf; and see also Fals-Steward, W., Golden, J. & Schumacher, JA. (2003). Intimate partner violence and substance use: a longitudinal day-to-day examination. *Addictive Behaviors, 28, 1555-157*4. Retrieved from https://www.ncbi.nlm.nih.gov/pubmed/14656545.

Although certain states and territories of the U.S. authorize medical or adult-use cannabis production and distribution by duly-licensed entities, under current U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts. The concepts of "medical cannabis," "retail cannabis" and "adult-use cannabis" do not exist under U.S. federal law—there is only the Schedule I drug which remains illegal for purchase or sale. Although the Company's activities are materially compliant with applicable state, local and territorial laws, strict compliance with state, local and territorial laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law nor provide a defense to federal criminal charges that may be brought against the Company. The Supremacy Clause of the U.S. Constitution establishes that the U.S. Constitution and federal laws made pursuant to it are paramount and, in case of conflict between federal and state law, federal law shall govern.

Nonetheless, 38 U.S. states, the District of Columbia, and the territories of Puerto Rico, the U.S. Virgin Islands, Guam, and the Northern Mariana Islands have legalized or decriminalized some form of cannabis for medical use, while 24 states and the District of Columbia have legalized the adult-use of cannabis for recreational purposes. Notwithstanding the foregoing, cannabis remains illegal under U.S. federal law, with cannabis listed as a Schedule I drug under the CSA.

Until 2018, the federal government provided guidance to federal law enforcement agencies and banking institutions regarding cannabis through a series of memoranda from the Department of Justice ("DOJ"). The most recent such memorandum was drafted by former Deputy Attorney General James Cole on August 29, 2013 ("Cole Memorandum")[5]. The Cole Memorandum offered guidance to federal enforcement agencies as to how to prioritize civil enforcement, criminal investigations and prosecutions regarding cannabis in all states, and acknowledged that, notwithstanding the designation of cannabis as a Schedule I controlled substance at the federal level, certain states have enacted laws authorizing the use of cannabis. The Cole Memorandum also noted that state jurisdictions that have enacted laws legalizing cannabis in some form have also implemented strong and effective regulatory and enforcement systems to control the cultivation, processing, distribution, sale and possession of cannabis. As such, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. The Cole Memorandum was seen by many state-legal cannabis companies as a safe harbor for their licensed operations that were conducted in full compliance with all applicable state and local regulations. However, on January 4, 2018, former U.S. Attorney General Jeff Sessions rescinded the Cole Memorandum. In the absence of a uniform federal policy, as a result of the recission of the Cole Memorandum, federal prosecutors are free to utilize their prosecutorial discretion to decide whether to prosecute commercial cannabis activities despite the existence of state-level and territorial-level laws that may be inconsistent with federal prohibitions.[6]

Following his election, President Biden appointed Merrick Garland to serve as the U.S. Attorney General. While Attorney General Garland indicated in his confirmation hearing that he felt that enforcement of the federal cannabis prohibition against state-licensed cannabis businesses would not be a priority target of Department of Justice resources, no formal enforcement policy has been issued to date. There is no guarantee that state and local 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, local and territorial laws within their respective jurisdictions. Unless and until the U.S. Congress ("Congress") amends the CSA with respect to cannabis (and as to the timing or scope of any such potential amendments there can be no assurance) in a manner that makes federally legal the current state and local commercial cannabis programs, there is a risk that federal authorities may enforce current U.S. federal law.

As an industry best practice, despite the rescission of the Cole Memorandum, the Company abides by the following standard operating policies and procedures:

1. Ensure that its operations are materially compliant with all licensing requirements as established by the applicable state, county, municipality, town, township, borough, and other political/administrative divisions;
2. Ensure that its cannabis related activities materially adhere to the scope of the licensing obtained (for example: in the states where cannabis is permitted only for adult-use, the products are only sold to individuals who meet the applicable requirements);
3. Implement policies and procedures to ensure that cannabis products are not distributed to minors;
4. Implement policies and procedures to ensure that funds are not distributed to criminal enterprises, gangs or cartels;

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[5]See James M. Cole, *Memorandum for all United States Attorneys re: Guidance Regarding Marijuana Enforcement* (Aug. 29, 2013), available at https://www.justice.gov/iso/opa/resources/3052013829132756857467.pdf.

[6] Please note the below discussion of the Rohrabacher-Farr Amendment, which prevents the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law, and which acts to restrict federal prosecutors from targeting many commercial cannabis operators even in lieu of the recission of the Cole Memorandum.

5. Implement an inventory tracking system and necessary procedures to ensure that such compliance system is effective in tracking inventory and preventing diversion of cannabis or cannabis products into those states and territories where cannabis is not permitted by state, territorial, or local law, or across any state, territorial, or local lines in general;
6. Ensure that its state-authorized cannabis business activity is not used as a cover or pretense for trafficking of other illegal drugs, is engaged in any other illegal activity or any activities that are contrary to any applicable anti- money laundering statutes; and
7. Ensure that its products comply with applicable regulations and contain necessary disclaimers about the contents of the products to prevent adverse public health consequences from cannabis use and prevent impaired driving.

In addition, the Company conducts background checks to ensure that the principals and management of its operating subsidiaries are of good character, have not been involved with other illegal drugs, engaged in illegal activity or activities involving violence, or use of firearms in the cultivation, manufacturing or distribution of cannabis. The Company also conducts ongoing reviews of the activities of its cannabis businesses, the premises on which they operate and the policies and procedures that are related to the possession by the Company of cannabis or cannabis products of the Company outside of the licensed premises. See "*Compliance and Monitoring*" section herein for additional details.

One legislative safeguard for the medical cannabis industry remains in place: Congress has passed a so-called "rider" provision in the fiscal years 2015, 2016, 2017, 2018, 2019, 2020, 2021 and 2022 Consolidated Appropriations Acts to prevent the federal government from using congressionally appropriated funds to enforce federal cannabis laws against regulated medical cannabis actors operating in compliance with state and local law. The rider is known as the "Rohrabacher-Farr" Amendment after its original lead sponsors (it is also sometimes referred to as the "Rohrabacher-Blumenauer" or "Joyce- Leahy" Amendment, but it is referred to in this MD&A as the "Rohrabacher-Farr Amendment"). The Rohrabacher-Farr Amendment was included in the Consolidated Appropriations Act, 2024 (the "2024 Act") and signed into law by President Biden on March 9, 2024. The 2024 Act was subsequently extended twice, ensuring that the Rohrabacher-Farr Amendment will remain in effect through the expiration of the 2024 Act on March 14, 2025. There is no guarantee that the Rohrabacher-Farr Amendment will be included in future appropriations legislation or a continuing budget resolution once the current spending bill expires.

On October 6, 2022, President Biden announced a series of marijuana-related initiatives. Included amongst them was a directive to the Secretary of Health and Human Services and the Attorney General "to initiate the administrative process to review expeditiously how marijuana is scheduled under federal law. Federal law currently classifies marijuana in Schedule I of the CSA, the classification meant for the most dangerous substances." This administrative review would be conducted by the FDA and the DEA. This review could result in efforts to remove cannabis from Schedule I of the CSA, and such efforts are formally underway as of the date of this MD&A. On August 30, 2023, the Department of Health and Human Services published its recommendation that marijuana should be moved to Schedule III. In April 2024, the DEA presented a proposed change rescheduling cannabis to Schedule III and opened a public comment period. That public comment period ended on July 22, 2024. The vast majority of the thousands of comments received were in favor of rescheduling. In response, two leading congressional Republicans, Rep. Cathy McMorris Rogers, who chairs the House Energy and Commerce Committee, and Rep. Brett Guthrie, who chairs the Subcommittee on Health, wrote a letter to the DOJ and the Department of Health and Human Services questioning the rescheduling process as constituting "unusual circumstances" and suggesting the DEA has doubts about rescheduling. The lawmakers pointed out that the proposed rule itself states that the "DEA has not yet made a determination as to its views of the appropriate schedule for marijuana." The DEA had noticed its intention to convene a hearing on December 2, 2024 on the notice of proposed rulemaking. The DEA postponed the hearing to January 21, 2025, but the hearing was eventually canceled by the Chief Administrative Law Judge for the DEA (an internal administrative tribunal of the DEA) due to procedural issues and pending appeals and legal actions, and is expected to be rescheduled at a future date.

At present, the DEA has the final say in whether to change marijuana's scheduling and is not bound to abide by the recommendations of the Department of Health and Human Services. Additionally, changing marijuana's scheduling under the CSA is not equivalent to decriminalizing cannabis use, and would serve to alter, but not eliminate, federal regulation of marijuana. Altering the scheduling would mean the federal government acknowledges some medical uses of marijuana, but would not change its current status as a controlled substance prohibited for most uses under federal law; indeed, placing cannabis on a different schedule, such as Schedule III as contemplated, would have the effect of imposing a separate federal program of rules and regulations on commercial cannabis activity largely incongruent with the programs permitted under state, local and territorial laws currently in effect, and the prevailing business environment of the regulated cannabis marketplace in the U.S. If the DEA does not act to alter the scheduling of marijuana, Congress could take legislative action to remove marijuana from Schedule I, either choosing to move it to another schedule, create a new schedule or classification for marijuana under the CSA, or remove marijuana as a controlled substance altogether.

On September 27, 2023, the Senate Banking Committee passed the Secure and Fair Enforcement Regulation Banking Act ("SAFER Banking Act") out of committee. The SAFER Banking Act is now pending a vote of the full Senate. While some banks, credit unions and other financial services providers will provide banking services to the regulated cannabis industry, the majority of medicinal or recreational cannabis businesses do not participate in traditional banking systems due to the risks of federal prosecution. The SAFER Banking Act would include safe harbor from certain criminal, civil and administrative penalties which may otherwise result due to the status of marijuana under federal law or on the basis of a banking institution's provision of financial services to a business that violates federal law. While marijuana would remain federally illegal under the SAFER Banking Act, the law would resolve existing tensions between federal and state law with respect to banking, lending to, and insuring a state or territorial-legal cannabis business. The SAFER Banking Act would create guidelines and restrictions surrounding due diligence of regulated cannabis businesses and ongoing monitoring for specific activities, essentially bringing the regulated cannabis industry in line with other highly regulated industries which are permitted to use traditional banking institutions. As of the date of this filing, the SAFER Banking Act is pending a vote on the Senate floor, but the timing of any vote is unclear.

Pending enactment of the SAFER Banking Act, the current FinCEN guidance (FIN-2014-G001, issued February 14, 2014) remains in line with the Cole Memorandum and details due diligence requirements, the requirement to file regular Suspicious Activity Reports for cannabis-related businesses, and compliance with Currency Transaction Reports. Existing guidelines permit banking institutions to service the regulated cannabis industry if they follow strict guidelines and comply with regular mandatory reporting relating to those entities.

Nevertheless, as of the date of this MD&A, cannabis remains a Schedule I controlled substance at the federal level. The U.S. federal government has always reserved the right to enforce federal law regarding the sale and disbursement of medical or adult-use cannabis, even if state law sanctions such sale and disbursement. If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in states and territories where the sale and use of cannabis is currently legal, or if existing applicable state, local and territorial laws are repealed or curtailed, the Company's business, results of operations, financial condition and prospects could be materially adversely affected.

The results of the 2024 presidential and congressional elections create uncertainty regarding the likelihood of any legal developments regarding cannabis at the federal level as well. President Donald Trump has indicated that he is in support of federal cannabis reform including federal legislation to remove restrictions on banking services for state-legal marijuana businesses, as well as the rescheduling of cannabis under the CSA. President Trump also signaled that he may support state efforts to legalize recreational cannabis use; provided, however, any new administration's ultimate willingness to support the cannabis industry in any respect is virtually impossible to predict. The balance of power in both the United States House of Representatives and the United States Senate could also impact future prospects for federal cannabis reform legislation.

Money Laundering Laws

Under U.S. federal law, it may potentially be a violation of federal money laundering statutes for financial institutions to take any proceeds from the sale of any Schedule I controlled substance. Due to the CSA's current categorization of marijuana as a Schedule I drug, federal law makes it illegal for financial institutions that depend on the Federal Reserve's money transfer system to take any proceeds from marijuana sales as deposits. Banks and other financial institutions could be prosecuted and possibly convicted of money laundering for providing services to cannabis businesses under the U.S. Currency and Foreign Transactions Reporting Act of 1970 ("Bank Secrecy Act"). Therefore, under the Bank Secrecy Act, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be charged with money laundering or conspiracy.

While there has been no change in U.S. federal banking laws to accommodate businesses in the large and increasing number of U.S. states and territories that have legalized medical and/or adult-use marijuana, in 2014, the Department of the Treasury Financial Crimes Enforcement Network ("FinCEN") issued guidance to prosecutors of money laundering and other financial crimes ("FinCEN Guidance") and notified banks that it would not seek enforcement of money laundering laws against banks that service marijuana-related businesses operating under state or territorial law, provided that strict due diligence and reporting standards are met. The FinCEN Guidance advised prosecutors not to focus their enforcement efforts on banks and other financial institutions that serve marijuana-related businesses so long as that business is legal in their state or territory and none of the federal enforcement priorities referenced in the Cole Memorandum are being violated (such as keeping marijuana away from children and out of the hands of organized crime). The FinCEN Guidance also clarifies how financial institutions can provide services to marijuana-related businesses consistent with their Bank Secrecy Act obligations, including thorough customer due diligence, but makes it clear that they are doing so at their own risk. The customer due diligence steps include:

1. Verifying with the appropriate state and territorial authorities whether the business is duly licensed and registered;
2. Reviewing the license application (and related documentation) submitted by the business for obtaining a state or territorial license to operate its marijuana-related business;
3. Requesting from state or territorial licensing and enforcement authorities available information about the business and related parties;
4. Developing an understanding of the normal and expected activity for the business, including the types of products to be sold and the types of customers to be served (e.g., medical versus adult-use customers);
5. Ongoing monitoring of publicly available sources for adverse information about the business and related parties;
6. Ongoing monitoring for suspicious activity, including for any of the red flags described in this guidance; and
7. Refreshing information obtained as part of customer due diligence on a periodic basis and commensurate with the risk.

With respect to information regarding state and territorial licensure obtained in connection with such customer due diligence, a financial institution may reasonably rely on the accuracy of information provided by state and territorial licensing authorities, where states and territories make such information available.

Because most banks and other financial institutions are unwilling to provide any banking or financial services to cannabis businesses, these businesses can be forced into becoming "cash-only" businesses. While the FinCEN Guidance decreased some risk for banks and financial institutions considering serving the industry, in practice it has not materially increased banks' willingness to provide services to regulated cannabis businesses, and most banks continue to decline to operate under the strict requirements provided under the FinCEN Guidance. This is because, as described above, the current law does not provide banks immunity from prosecution, and it also requires banks and other financial institutions to undertake time-consuming and costly due diligence on each regulated cannabis business they accept as a customer.

The relatively few state-chartered banks and/or credit unions that have agreed to work with marijuana-related businesses to date are typically limiting those accounts to small percentages of their total deposits to avoid creating a liquidity risk. Since, theoretically, the federal government could change the banking laws as it relates to marijuana-related businesses at any time and without notice, these state- charted banks and credit unions must keep sufficient cash on hand to be able to return the full value of all deposits from marijuana-related businesses in a single day, while also keeping sufficient liquid capital on hand to serve their other customers. Those state-chartered banks and credit unions that do have customers in the cannabis industry charge marijuana-related businesses higher fees to pass on the added cost of ensuring compliance with the FinCEN Guidance. Unlike the Cole Memorandum, however, the FinCEN Guidance from 2014 has not been rescinded.

The Secretary of the Treasury, Janet Yellen, has not articulated an official position of the U.S. Department of the Treasury with regard to the FinCEN Guidance, and the incoming presidential administration has not yet done so. Accordingly, as an industry best practice and consistent with its standard operating procedures, the Company adheres to all customer due diligence steps in the FinCEN Guidance.

In both Canada and the U.S., transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Legislative changes could help to reduce or eliminate these challenges for companies in the cannabis space and would improve the efficiency of both significant and minor financial transactions.

In the absence of comprehensive reform of U.S. federal cannabis legislation that would federally decriminalize the cannabis industry, a growing number of members of Congress have expressed support for federal legislation that would eliminate from the scope of federal money laundering statutes the financing activity of businesses operating under state and territorial-sanctioned cannabis programs. On September 26, 2019, the U.S. House of Representatives passed the Secured and Fair Enforcement Banking Act of 2019 (commonly known as the "SAFE Banking Act"), which aims to provide safe harbor guidance to financial institutions that work with U.S. regulated cannabis businesses. The SAFE Banking Act has since been introduced and has passed the U.S. House of Representatives several times, but has not been passed by the U.S. Senate. The SAFE Banking Act has also been proposed as a rider to federal annual budget bills and the National Defense Appropriations Act. However, such attempts have failed, most recently with respect to inclusion in the Consolidated Appropriate Act, signed by President Biden on December 29, 2022. As of January 17, 2025, the SAFER Banking Act is pending a vote on the Senate floor, but the timing of any vote is unclear. While Congress may consider legislation in the future that may permanently address these issues, there can be no assurance of the content of any proposed legislation or that such legislation is ever passed. The Company's inability, or limitations on the Company's ability, to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

Federal Taxation of Cannabis Businesses

An additional challenge to cannabis-related businesses is that the provisions of Section 280E of the Internal Revenue Code of 1986, as amended ("Section 280E"), are being applied punitively by the IRS to businesses operating in the medical and adult-use cannabis industry. Section 280E prohibits businesses from deducting certain expenses associated with the trafficking of controlled substances within the meaning of Schedule I and II of the CSA. The IRS has applied Section 280E broadly and punitively in tax audits against various cannabis businesses in the U.S. that are permitted under applicable state and territorial laws, seeking substantial sums in tax liabilities, interest and penalties resulting from the underpayment of taxes due to the lack of deductibility of otherwise ordinary business expenses, the deduction of which is prohibited by Section 280E. Although the IRS has from time to time issued clarifications allowing the deduction of certain expenses that can be categorized as the cost of goods sold, the scope of such items is interpreted somewhat narrowly and disparately depending upon the type of cannabis vertical (e.g., cultivation, manufacturing, retail and distribution), and the bulk of operating costs, selling, and general administrative costs are not permitted to be deducted, especially on the retail side. Therefore, businesses in the state, local and territorial-legal cannabis industry are subject to substantially higher effective tax rates and thus may be less profitable than they would otherwise be. Notwithstanding the foregoing, there have been numerous challenges by cannabis stakeholders to the IRS's application of Section 280E to cannabis business activities, several of which are pending resolution. It should be noted that because Section 280E applies only to activities involving controlled substances within the meaning of Schedule I or II of the CSA, the DEA's proposed re-scheduling of marijuana from Schedule I to Schedule III would allow U.S. regulated cannabis businesses to deduct all of their business expenses on federal tax filings without any prohibitions under Section 280E on a go-forward basis.

Service Providers

As a result of any adverse change to the approach in enforcement of U.S. federal cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third party service providers to the Company could abruptly suspend or withdraw their services, which may have a material adverse effect on the Company's business, revenues, operating results, financial condition, or prospects.

Ability to Access Capital

Given the current U.S. federal laws regarding cannabis, traditional bank financing is typically not available to U.S. cannabis companies. Specifically, the federal illegality of marijuana in the U.S. means that financial transactions involving proceeds generated by cannabis-related conduct can form the basis for prosecution under anti-money laundering statutes, the unlicensed money transmitter statute and the Bank Secrecy Act. As a result, businesses involved in the cannabis industry often have difficulty finding bank and/or merchant processors willing to accept their business. Banks who do accept deposits from cannabis-related businesses in the U.S. must do so in compliance with the Cole Memorandum and the FinCEN guidance, both discussed above.

If the Company requires equity and/or debt financing to support its on-going operations, to undertake capital expenditures and to undertake acquisitions or other business combination transactions, there can be no assurance that additional financing will be available to the Company when needed or on terms which are commercially reasonable or otherwise acceptable. The Company's inability to raise financing through traditional banking to fund its on-going operations, capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon the Company's business, results of operations, financial condition or prospects.

If additional funds are raised through further issuances of equity or convertible debt securities, existing Company shareholders could suffer significant dilution, and any new equity securities issued could have rights, preferences and privileges superior to existing holders of Equity Shares.

Heightened Scrutiny by Regulatory Authorities

For the reasons set forth above, the Company's existing operations in the U.S., and any future operations or investments of the Company, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada, the U.S. or elsewhere. As a result, the Company 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 the Company's ability to operate or invest in any other jurisdiction or have consequences for its stock exchange listing or Canadian reporting obligations, in addition to those described herein.

Changes to government policy or public opinion may also result in a significant influence on the regulation of the cannabis industry in Canada, the U.S., or elsewhere. A negative shift in the public's perception of medical or adult-use cannabis in Canada, the U.S. or any other applicable jurisdiction could affect future legislation or regulation, or enforcement. Such a shift could cause state jurisdictions to abandon initiatives or proposals to legalize medical or adult-use cannabis, thereby limiting the number of new state or territorial jurisdictions into which the Company could expand. Any inability to fully implement the Company's business strategy in the state in which the Company currently operates may have a material adverse effect on the Company's business, financial condition, and results of operations. See the "*Risk Factors*" section of the Annual Information Form for the year ended December 31, 2024, available on SEDAR+ at www.sedarplus.ca for additional details.

Further, 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 U.S. federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, asset forfeiture, and cessation of business activities or divestiture. Any enforcement action against the Company or any of its licensed operating facilities could have a material adverse effect on (1) the Company's reputation, (2) the Company's ability to conduct business, (3) the Company's holdings (directly or indirectly) of medical or adult-use cannabis licenses in the U.S., (4) the listing or quoting of the Company's securities on the Canadian stock exchange or other stock exchanges, (5) the Company's financial position, (6) the Company's operating results, profitability, or liquidity, or (7) the market price of the Company's publicly traded shares. In addition, it is difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or their final resolution because the time and resources that may be necessary depend on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial. See the "*Risk Factors*" section of the Annual Information Form for the year ended December 31, 2024, available on SEDAR+ at www.sedarplus.ca for additional details. The Company's business activities, and the business activities of its subsidiaries, while believed to be compliant with applicable U.S. state and local laws, currently are illegal under U.S. federal law.

Further, the CDS Clearing and Depository Services Inc. ("CDS"), Canada's central securities depository which clears and settles trades in the Canadian equity, fixed income and money markets, 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, subsequently 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. (currently, Cboe Canada), the Canadian Securities Exchange, 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 the 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 at a time when the Company’s equity shares are listed on a stock exchange, it would have a material adverse effect on the ability of such holders to make and settle trades. In particular, such equity would become highly illiquid as until an alternative was implemented, investors would have no ability to affect a trade of securities through the facilities of the applicable stock exchange.

Compliance and Monitoring

As of the date of this MD&A, the Company believes that each of its licensed operating entities (a) holds all applicable state and local licenses to cultivate, manufacture, possess, and/or distribute cannabis in the State of California, and (b) is in good standing and in material compliance with California’s cannabis regulatory program. The Company is in material compliance with its obligations under state and local laws related to its cannabis cultivation, manufacturing, distribution and dispensary licenses, other than minor violations that would not result in a material fine, suspension, non-renewal or revocation of any relevant license.

The Company uses reasonable commercial efforts to ensure that its business is in material compliance with laws and applicable licensing requirements and engages in the regulatory and legislative process nationally and in the state where it operates through its compliance department, outside government relations consultants, cannabis industry groups and legal counsel.

The compliance department is managed by the Company’s General Counsel and Corporate Secretary, Benjamin Vega (“General Counsel”). The Company’s compliance department is charged with knowing the local regulatory processes in California and is responsible for monitoring developments with their state and local agencies and governing bodies. The compliance department regularly reports regulatory developments to the Company’s General Counsel through written and oral communications and is charged with the creation and implementation of plans regarding all regulatory developments. The Company’s General Counsel works with external legal advisors in California to ensure that the Company is in ongoing compliance with applicable state and local laws and regulations and is aware of pending legislation and regulations at both the state and local levels which may impact the Company’s ongoing operations in any material respect.

Although the Company believes that its business activities are materially compliant with applicable state and local laws, strict compliance with state and local laws with respect to cannabis may neither absolve the Company of liability under U.S. federal law nor provide a defense to any federal proceeding which may be brought against the Company. Any such proceedings brought against the Company may result in a material adverse effect on the Company. The Company currently derives 100% of its revenues from the regulated cannabis industry in California, which industry is currently illegal under U.S. federal law. Even where the Company’s cannabis-related activities are compliant with applicable state and local laws, such activities remain illegal under U.S. federal law. The enforcement of relevant federal laws is a significant risk.

In addition to the above disclosure, please see the “*Risk Factors*” section of the Annual Information Form for further risk factors associated with the Company’s operations for the year ended December 31, 2024, available on SEDAR+ at www.sedarplus.ca.

California Legal Framework and How It Affects the Company’s Business

California Licensing Scheme

California’s licensing body for medical and adult-use cannabis is the Department of Cannabis Control (“DCC”). There is no limit to the number of licenses the State of California may issue; however, some local jurisdictions have a limit on the number of licenses they will issue. Each license grants one licensed premises, and the main classes of licenses are: cultivation, retailer, distributor, manufacturer, microbusiness, event organizer, and testing laboratory. Additionally, a license may not be held by, or issued to, any person holding office in, or employed by, any agency of the State of California or any of its political subdivisions when the duties of such person are associated with enforcement of laws or regulations regarding cannabis or cannabis products. Although there are no requirements for vertical integration; however, California does define specific cultivation license types by canopy size.

California Medical Patient Requirements

Edibles labeled as "FOR MEDICAL USE ONLY" and only available for sale to a medicinal-use patient, may contain up to 500mg THC per package (adult use limit is 100mg THC/package). Topicals labeled as "FOR MEDICAL USE ONLY" and only available for sale to a medicinal-use patient, may contain up to 2000mg THC per package (adult use limit is 1000mg THC/package).

California Recent and Proposed Legislation

On August 31, 2024, the California State legislature approved Assembly Bill 1775, which would allow local jurisdictions the authority to approve "cannabis cafes," where licensed retail and microbusiness (with retail) facilities could sell food and nonalcoholic beverages and host live music and other performances. On September 30, 2024, Governor Newsom approved Assembly Bill 1775, making the law effective on January 1, 2025. Under current law, some California cannabis dispensaries already offer "consumption lounges" for customers to use cannabis products on-site, but they are barred from selling anything other than prepackaged snacks and drinks. When Assembly Bill 1775 takes effect on January 1, 2025, certain food and nonalcoholic beverage sales would be permitted provided the applicable local jurisdiction approves such sales activities under its relevant regulatory program.

On August 30, 2024, the California State legislature approved Senate Bill 1059, which would prohibit cities or counties from including in the definition of gross receipts, for purposes of any local tax or fee on a licensed cannabis retailer, the amount of any cannabis excise tax imposed under California law or any sales and use taxes. Governor Newsom signed Senate Bill 1059 into law on September 29, 2024. Senate Bill 1059 will effectively remove a strategy for local governments to essentially compound taxation by precluding them from including amounts paid in state taxes in the tax base for a local tax.

For a detailed description of risk factors associated with the Company and its operations, please see the "*Risk Factors*" section of the Company's Annual Information Form for the year ended December 31, 2024, available on SEDAR+ at www.sedarplus.ca.

REGULATORY ENVIRONMENT: ISSUERS WITH HEMP-RELATED ASSETS IN THE UNITED STATES

Below is a discussion of the current federal and California regulatory regimes where the Company may directly or indirectly be involved, through its subsidiaries and investments, in the U.S. regulated hemp industry.

The Company is Considering Involvement in the Regulated Hemp Industry in the U.S.

The Company is considering involvement in the regulated hemp industry in the U.S. where state, local and territorial laws permit such activities. Its subsidiaries and managed entities may be directly engaged in the cultivation, manufacture, processing, sale and distribution of industrial hemp and products containing hemp or hemp-derived substances, and such entities possess or will possess a hemp cultivation license as required for participation in the regulated hemp marketplace.

The Company's Statement of Financial Position and Operating Statement Exposure to U.S. Hemp Related Activities.

As of the date of this MD&A, no revenues of the Company's business were directly derived from U.S. hemp-related activities. The Company intends to make a decision as to whether it intends to go into the regulated hemp business by the end of the second quarter of 2025.

Reform of Federal Legislation on Industrial Hemp

On December 20, 2018, President Donald Trump signed the Agriculture Improvement Act of 2018, Pub. L. 115- 334, (popularly known as the "2018 Farm Bill") into law.[7] Under the 2018 Farm Bill, industrial and commercial hemp are no longer to be classified as a Schedule I controlled substance in the U.S. The definition of "hemp" includes the plant cannabis sativa L and any part of that plant, including seeds, derivatives, extracts, cannabinoids and isomers, which contain no more than 0.3% of delta-9 THC concentration by dry weight. The 2018 Farm Bill allows states to create regulatory programs allowing for the licensed cultivation of hemp and the production of hemp-derived products. Hemp and products derived from it, such as CBD, may then be sold into commerce and transported across state lines, provided that the hemp from which any product is derived was cultivated under a license issued by an authorized state program approved by the U.S. Department of Agriculture and which otherwise meets the definition of "hemp."

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[7] H.R.2 - 115th Congress (2017-2018): Agriculture Improvement Act of 2018, Congress.gov (2018), https://www.congress.gov/bill/115th-congress/house-bill/2/text.

Despite the removal of CBD extracted from hemp and other hemp extracts produced under authorized state hemp programs excluded from the CSA, the FDA's stated position remains that it is a prohibited act under the Federal Food, Drug, and Cosmetic Act ("FD&C Act") to introduce into interstate commerce a food to which CBD, THC or cannabinoids has been added, or to market a product containing these ingredients as a dietary supplement.[8]

The FDA continues to enforce against violations of the FD&C Act by issuing warning letters to companies marketing and selling hemp-derived products. Over the past several years, the FDA has issued warning letters to companies marketing and selling unapproved hemp-derived CBD products. The letters reiterate the agency's position that CBD cannot be added to food and dietary supplements, and as such, the agency has targeted companies whose products violated the FD&C Act's prohibition against: i) marketing CBD as or in a dietary supplement, human and animal food, or food additives; ii) marketing a dietary supplement, human and animal food, or cosmetic with disease or drug claims (i.e., claims suggesting that a product is intended to treat, cure, or prevent diseases); iii) including a substance in human or animal food when that substance is not GRAS (generally recognized as safe notice); and iv) selling products that are misbranded due to their failure to include "adequate directions for use by a layperson." The FDA also issued a consumer update reaffirming its position that CBD cannot lawfully be added to food or marketed as a dietary supplement due to existing provisions of the FD&C Act and outlining the data and potential safety issues it is considering as part of its ongoing evaluation of potential regulatory frameworks for CBD. Notably, the FDA states that it could not conclude based on available data that CBD is "generally recognized as safe" for use in human or animal food. While this is broad and may not be applicable in all instances, it nevertheless could materially and adversely impact the Company's business and financial condition. Further, the FDA has repeatedly stated that it will continue to police the market and enforce against CBD products. On March 22, 2021, for example, the agency issued warning letters to two companies for selling over-the-counter products labeled as containing CBD, alleging the products were illegally marketed, unapproved drugs, which were misbranded due to prominent featuring of CBD on the labeling, followed by additional warning letters issued in 2021 and 2022. The FDA's enforcement against the unlawful sale and marketing of CBD products has to date been limited to the issuance of warning letters, but other enforcement mechanisms are available to the FDA, including civil and criminal penalties. The FDA's current prohibition on certain hemp-derived products and the unknowns and associated risks of potential future regulations governing hemp-derived products may have a material adverse effect on the Company's business, revenues, operating results, financial condition, or prospects.

On January 26, 2023, the FDA announced its conclusion that existing regulatory pathways are not appropriate for CBD and that a new regulatory pathway would benefit consumers by providing safeguards and oversight to manage and minimize risks related to CBD products. The agency also stated that it is prepared to work with Congress on this matter and that it "will continue to take action against CBD and other Cannabis-derived products to protect the public, in coordination with state regulatory partners, when appropriate" by "monitoring the marketplace, identifying products that pose risks and acting within our authorities." We note that although much of the official discussion on hemp-derived products had been localized to hemp-derived CBD, other hemp-derived cannabinoids should be assumed to be included. Further, as discussed below, regulatory changes surrounding the so-called "intoxicating" hemp-derived cannabinoids also have been an area of increasing concern and regulation.

In May of 2024, the House Agriculture Committee unveiled a draft of the 2024 Farm Bill, which would build upon federal legalization of hemp in several meaningful ways. Importantly, the draft would revise the definition of "hemp," creating separate categories for producers who grow the crop for cannabinoid extraction for human and animal consumption and for "industrial hemp" producers who cultivate it for fiber, grain, oil, and seed not intended for consumption. The proposed amendments also would prohibit the commercial production, sale, and distribution of certain hemp-derived cannabinoids with an "intoxicating" effect. Farmers growing hemp to extract cannabinoids for human or animal consumption would continue to be subject to more intensive inspections and laboratory testing, while industrial hemp producers would see some exemptions. On December 21, 2024, The American Relief Act, 2025, was signed into law which extended the 2018 Farm Bill by one year without any further amendments, including any of the amendments proposed under the 2024 Farm Bill. To the extent the Company participates in the hemp marketplace, unfavorable requirements born of any future legislative process may have a material adverse impact on the Company's business, financial condition and results of operations.

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[8] Notably, to date the FDA's enforcement activities in respect of the sale of CBD foods and supplements has been largely focused upon those manufacturers and distributors that have made impermissible claims about the efficacy of CBD for treating certain diseases and medical conditions.

California Recent Legislation

In the meantime, various U.S. state and local authorities have enacted legislation and/or regulation to suppress the manufacture and distribution of hemp products containing “intoxicating” hemp-derived cannabinoids that are not delta-9 THC. California, for instance, recently took steps to enact certain regulatory and statutory changes to prohibit the manufacture and sale of products containing “intoxicating” hemp-derived cannabinoids. Specifically, on September 6, 2024, the California Department of Public Health (“CDPH”) announced its intention to adopt emergency regulations which would, among other things, prohibit manufactured hemp products from containing any detectable amount of total THC (which per the regulations includes not only delta-9-THC but also delta-8-THC, delta-10-THC, THCa, and other compounds) and would impose a 5-serving-per-package limit on such products. The office of the governor of California Gavin Newsom issued a press release in support of the proposed emergency regulations, announcing anticipated enforcement efforts by state and local agencies immediately after the emergency regulations take effect. The emergency regulations were approved by the Office of Administrative Law on September 23, 2024 and are effective as of said date.

On August 30, 2024, the California State legislature approved Senate Bill 1498, which would require a manufacturer, distributor, or seller of industrial hemp to comply with advertising and marketing restrictions similar to those under recreational cannabis law, and would authorize the Attorney General, a city attorney, or county counsel to bring and maintain an action to redress a violation of California cannabis and hemp advertising and marketing restrictions. Senate Bill 1498 was signed into law by Governor Newsom on September 28, 2024. The new advertising and marketing-related laws could have a material adverse impact on the Company’s business, revenues, operating results, financial condition, or prospects.

Previously, on October 6, 2021, California Governor Gavin Newsom signed Assembly Bill 45 (“AB 45”) into law to initially permit the manufacture and sale of products that contain hemp derived CBD including food, beverages, dietary supplements, cosmetics, and pet products. Under AB 45, the CDPH was appointed as the primary regulator of hemp derived CBD products. The CDPH established 3 primary requirements to manufacture and sell hemp products in California: (1) possess a license or registration for the specific commodity (such as processed food registration); (2) obtain an Industrial Hemp Enrollment and Oversight (“IHEO”) authorization for each commodity; and (3) comply with CDPH law, such as the Sherman Food, Drug and Cosmetic law and the 2018 Farm Bill, and any amendments thereto.

For a detailed description of risk factors associated with the Company and its operations, please see the “*Risk Factors*” section of the Company’s Annual Information Form for the year ended December 31, 2024, available on SEDAR+ at www.sedarplus.ca.

Shareholders' Equity

As of December 31, 2024 and 2023, our authorized share capital was comprised of an unlimited number of (i) Subordinate Voting Shares, (ii) Restricted Voting Shares, (iii) Limited Voting Shares, (iv) Multiple Voting Shares and (v) Preferred Shares.

Multiple Voting Shares

We are authorized to issue an unlimited number of Multiple Voting Shares without nominal or par value. Holders of Multiple Voting Shares are entitled to receive notice of any meeting of shareholders of the Company, and to attend, vote and speak at such meetings, except those meetings at which only holders of a specific class of shares are entitled to vote separately as a class under the Business Corporations Act (British Columbia). On all matters upon which holders of Multiple Voting Shares are entitled to vote, each Multiple Voting Share entitles the holder thereof to 50 votes per Multiple Voting Share. Multiple Voting Shares are not entitled to dividends and are not convertible. The Multiple Voting Shares had a three (3)-year sunset period that would have expired on June 29, 2024. At our annual general and special meeting of shareholders held on June 23, 2023, shareholders passed a special resolution to amend the Articles to extend the "sunset" date for the Multiple Voting Shares to June 29, 2027, upon which they will be automatically redeemed for $0.001 per Multiple Voting Share.

Equity Shares

The holders of each class of Equity Shares are entitled to receive notice of, to attend (if applicable, virtually) and to vote at all meetings of shareholders of the Company, except that they are not able to vote (but are entitled to receive notice of, to attend and to speak) at those meetings at which the holders of a specific class are entitled to vote separately as a class under the *Business Corporations Act* (British Columbia) and except that holders of Limited Voting Shares are not entitled to vote for the election of directors of the Company. The Subordinate Voting Shares and Restricted Voting Shares carry one vote per share on all matters. The Limited Voting Shares carry one vote per share on all matters except the election of directors, as the holders of Limited Voting Shares do not have any entitlement to vote in respect of the election for directors of the Company.

In the case of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of our assets among our shareholders for the purpose of winding up our affairs, the holders of Equity Shares are entitled, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Equity Shares (including any liquidation preference on any issued and outstanding Multiple Voting Shares and/or Preferred Shares), to participate ratably in the Company's remaining property along with all holders of the other classes of Equity Shares (on a per share basis).

Exchangeable Shares of MPB Acquisition Corp.

Exchangeable Shares are part of the authorized share capital of MPB Acquisition Corp. ("MPB"), our wholly-owned subsidiary, which entitle their holders to rights that are comparable to those rights attached to the Equity Shares. The Exchangeable Shares carry one vote per share, and the aggregate voting power of the Exchangeable Shares must not exceed 49.9% of the total voting power of all classes of shares of MPB. Until a holder exchanges their Exchangeable Shares for Equity Shares, the holder of such Exchangeable Shares will not have the right to vote at meetings of the shareholders of the Company, though they will have the right to vote at meetings of the shareholders of MPB, including with respect to altering the rights of holders of any of the Exchangeable Shares, or if MPB decides to take certain actions without fully protecting the holders of any of the Exchangeable Shares, or as otherwise required by law. The Exchangeable Shares are exchangeable at any time, on a one-for-one basis, for the Equity Shares at the option of the holder.

We treat the Exchangeable Shares as options, each with a value equal to an Equity Share, which represents the holder's claim on our equity. Pursuant to the terms of the Exchangeable Shares, we and MPB are required to maintain the economic equivalency of such Exchangeable Shares with our publicly traded Equity Shares. This means the Exchangeable Shares are required to share the same economic benefits and retain the same proportionate ownership in our assets as the holders of the Equity Shares. We have presented these Exchangeable Shares as a part of shareholders' equity within these Consolidated Financial Statements due to (i) the fact that they are economically equivalent to the Equity Shares, and (ii) the holders of the Exchangeable Shares are subject to restrictions on transfer under U.S. securities laws but may dispose of the Exchangeable Shares without such restriction by exchanging them for Equity Shares. Changes in these assumptions would affect the presentation of the Exchangeable Shares from shareholders' equity to non-controlling interests; however, there would be no impact on earnings per share.

Preferred Shares of GH Group, Inc.

The authorized total number of preferred shares (the "GH Group Preferred Shares") of GH Group is 50,000,000 of which 45,000,000 shares were designated as shares of Series A Preferred Stock ("GH Group Series A Preferred"), 55,000 shares are designated as shares of Series B Preferred Stock ("GH Group Series B Preferred"), 5,000 shares are designated as shares of Series C Preferred Stock ("GH Group Series C Preferred") and 15,000 shares are designated as shares of Series D Preferred Stock ("GH Group Series D Preferred"). GH Group Series A Preferred shares were fully redeemed or converted prior to December 31, 2022 and are no longer outstanding. Holders of the GH Group Preferred Shares are entitled to receive notice of and attend any meeting of the shareholders of GH Group but are not entitled to vote. The GH Group Preferred Shares do not carry any voting rights and are not convertible. In the event of a liquidation, voluntary or involuntary, dissolution or winding-up of GH Group, the holders of outstanding GH Group Preferred Shares are entitled to be paid out of the assets of GH Group available for distribution to it stockholders, before any payment shall be made to the holders of GH Group common stock, of which holders of GH Group Series B Preferred are to receive payment prior to holders of GH Group Series C Preferred and GH Group Series D Preferred. GH Group has the right to redeem all or a portion of the GH Group Preferred Shares from a holder for an amount equal to the liquidation value and all unpaid accrued and accumulated dividends.

The GH Group Series B Preferred and the GH Group Series C Preferred carry a 20% cumulative dividend rate, which increases by 2.5% annually after the second anniversary and until the 54-month anniversary of the initial issuance. The GH Group Series D Preferred carry a 15% cumulative dividend rate, which increases by 5% following the fifth anniversary of the original issuance. Dividends are payable if and when declared by GH Group's board of directors.

There were 49,969 shares of the GH Group Series B Preferred issued and outstanding as of December 31, 2024 and 2023; there were 5,000 shares of the GH Group Series C Preferred issued and outstanding as of December 31, 2024 and 2023; and there were 15,000 shares of the GH Group Series D Preferred issued and outstanding as of December 31, 2024 and 2023.

Shares Outstanding

As of March 10, 2025, we had 4,754,979 Multiple Voting Shares and 70,403,064 Equity Shares issued and outstanding. There were 6,891,973 Exchangeable Shares issued and outstanding in the capital of MPB Acquisition Corp. In addition, we had an aggregate of 44,384,041 warrants, 501,264 stock options and 2,942,875 Restricted Stock Units outstanding as of March 10, 2025.

The following table summarizes the Equity Shares that were issued and outstanding as of March 10, 2025:

Equity Shares	Issued and Outstanding
Subordinate Voting Shares (SVS)	6,983,877
Restricted Voting Shares (RVS)	2,228,898
Limited Voting Shares (LVS)	61,190,289
	70,403,064

Cautionary Note Regarding Forward-Looking Information

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or our future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans," "expects," "is expected," "budget," "scheduled," "estimates," "continues," "forecasts," "projects," "predicts," "intends," "anticipates" or "believes," or variations of, or the negatives of, such words and phrases, or statements that certain actions, events or results "may," "could," "would," "should," "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. Forward looking statements include, but are not limited to: statements concerning the completion of, and matters relating to, the various proposed transactions discussed by us herein and the expected timing related thereto; our expected operations, financial results and condition; general economic trends; expectations of market size and growth in the United States and California, the State we operate in; cannabis cultivation, production and extraction capacity estimates and projections; additional funding requirements; our future objectives and strategies to achieve those objectives; our estimated cash flow and capitalization and adequacy thereof; and other statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts.

Inherent in forward-looking statements are risks, uncertainties, and other factors beyond our ability to predict or control. Factors that could cause such differences include, but are not limited to: cannabis is a controlled substance under applicable legislation; the enforcement of cannabis laws could change; differing regulatory requirements across jurisdictions may hinder economies of scale; legal, regulatory or other political change; the unpredictable nature of the cannabis industry; regulatory scrutiny; the impact of regulatory scrutiny on the ability to raise capital; anti-money laundering laws and regulations; any reclassification of cannabis or changes in the federal legality and regulation of U.S. controlled substances; restrictions on the availability of favorable locations; enforceability of contracts; general regulatory and licensing risks; California regulatory regime and transfer and grant of licenses; limitations on ownership of licenses; regulatory action from the Food and Drug Administration; competition; ability to attract and retain customers; unfavorable publicity or consumer perception; results of future clinical research and/or controversy surrounding vaporizers and vaporizer products; limited market data and difficulty to forecast; constraints on marketing products; execution of our business strategy; reliance on management; ability to establish and maintain effective internal control over financial reporting; competition from synthetic production and technological advances; fraudulent or illegal activity by employees, contractors and consultants; product liability and recalls; risks related to product development and identifying markets for sale; dependence on suppliers, manufacturers, and contractors; reliance on inputs; reliance on equipment and skilled labor; service providers; litigation and any unexpected outcomes thereof; intellectual property risks; information technology systems, cyber-attacks, security, and privacy breaches; bonding and insurance coverage; transportation; energy costs; risks inherent in an agricultural business; management of growth; risks of leverage; future acquisitions or dispositions; difficulty attracting and retaining personnel; and past performance not being indicative of future results.

Readers are cautioned that the factors outlined herein are not an exhaustive list of the factors or assumptions that may affect the forward-looking statements, and that the assumptions underlying such statements may prove to be incorrect. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance, or achievements to be materially different from any of our future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. Accordingly, readers should not place undue reliance on forward-looking statements. We undertake no obligation to update publicly or otherwise revise any forward-looking statements whether because of new information or future events or otherwise, except as may be required by law. If we do update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

Disclosure Controls and Internal Control over Financial Reporting

In accordance with National Instrument 52-109 – *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"), management is responsible for establishing and maintaining adequate Disclosure Controls and Procedures ("DCP") and Internal Control Over Financial Reporting ("ICFR").

Disclosure Controls and Procedures

In accordance with NI 52-109, management, including our Chief Executive Officer ("CEO") and our Chief Financial Officer ("CFO"), have evaluated the effectiveness of our DCP. Based on the evaluation of our DCP as of December 31, 2024, our CEO and CFO concluded that our DCP were effective as of such date at the reasonable assurance level and that the previously disclosed material weaknesses have been remediated.

Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act in relation to criteria described in Internal Control–Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). ICFR is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with applicable U.S. GAAP. Internal control over financial reporting should include those policies and procedures that establish the following:

- maintenance of records in reasonable detail, that accurately and fairly reflect the transactions and dispositions of our assets;
- reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with applicable GAAP;
- receipts and expenditures are only being made in accordance with authorizations of management and our board of directors; and
- reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial instruments.

A material weakness is a deficiency, or combination of control deficiencies, in ICFR, such that there is a reasonable possibility that a material misstatement of the annual or interim financial statements will not be prevented or detected on a timely basis.

Remediation of Previously Reported Material Weaknesses

As previously disclosed in Exhibit 99.2 to the Annual Report on Form 40-F for the year ended December 31, 2023, management identified material weaknesses related to use of estimates and assumptions that affect the reported amounts of certain assets, liabilities and expenses. We did not appropriately review the accounting treatment relating to the accounting for complex financing transactions and for business combinations. We did not appropriately assess our distributor agreements for appropriate accounting treatments. We did not regularly perform an analysis and review of the costs and valuation of our CPG raw materials and CPG and retail finished goods. We did not appropriately account for impairments for our long-lived assets and goodwill resulting in changes in the impairment of goodwill. We did not appropriately identify all acquired intangible assets, resulting in changes to the purchase price allocation. We did not appropriately assess the terms and conditions related to the GH Group Preferred Shares issued during the year, did not properly value the Equity Shares issued in one of the business combinations that closed during the year and did not identify and account for certain deferred Equity Share issuances that are a part of the consideration of the acquisitions that closed during the year.

Throughout the year ended December 31, 2024, our management, with oversight from the audit committee, executed upon its previously disclosed remediation plan, which included: (i) providing more comprehensive and timely training to control owners related to non-routine transactions, (ii) hiring additional personnel with requisite skills to review complex non-routine transactions including, but not limited to, asset acquisition and credit worthiness of the holders of our financial instruments and accounting for distribution agreements, (iii) incorporating additional and timely reviews of updated costing and valuations of inventory by experienced employees. Our management completed testing of the implemented controls during the quarter ended December 31, 2024, and found them to be operating effectively. As a result, management has concluded that the material weaknesses in internal control over financial reporting have been remediated as of December 31, 2024.

Limitations of Controls and Procedures

Our management, including, without limitation, our CEO and CFO, believes that any DCP or ICFR, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any control system also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Additional Information

Additional information relating to the Company, including our Annual Information Form for the year ended December 31, 2024, is available on SEDAR+ at www.sedarplus.ca.

Exhibit 99.3

GLASS HOUSE BRANDS INC.

ANNUAL INFORMATION FORM

FOR THE YEAR ENDED DECEMBER 31, 2024

DATED MARCH 25, 2025

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EXPLANATORY NOTES AND DISCLAIMERS

Formation of Company

In this annual information form (this "**AIF**"), unless the context otherwise requires, the "**Company**", "we", "us" and "our" refers to Glass House Brands Inc. together with its subsidiaries, which entity was previously a publicly listed special purpose acquisition corporation named Mercer Park Brand Acquisition Corp. ("**Mercer Park**"). See "*Corporate Structure*".

Currency of Information Provided

This AIF applies to the business activities and operations of the Company and its subsidiaries for the year ended December 31, 2024, as updated to March 25, 2025, unless otherwise stated, where applicable.

Presentation of Financial Information and Currency

The Company presents its consolidated financial statements in United States dollars and prepares such financial statements in accordance with United States Generally Accepted Accounting Principles ("**U.S. GAAP**"). Unless otherwise indicated, all references to "$" or "US$" in this AIF refer to United States dollars and all references to "C$" in this AIF refer to Canadian dollars.

Market and Industry Data

Unless otherwise indicated, the market and industry data contained in this AIF is based upon information from independent industry publications, government publications, market research, analyst reports and surveys and other publicly available sources. Government and industry publications and reports generally indicate that they have obtained their information from sources believed to be reliable, but do not guarantee the accuracy and completeness of their information. Actual outcomes may vary materially from those forecast in such reports or publications, and the prospect for material variation can be expected to increase as the length of the forecast period increases. Although the Company believes these sources to be generally reliable, market and industry data is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of the data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any survey. The Company has not independently verified any of the data from third-party sources referred to in this AIF, and accordingly, the accuracy and completeness of such data is not guaranteed.

Forward-Looking Information

This AIF contains certain “forward-looking information” and “forward-looking statements”, as defined in applicable securities laws (collectively referred to herein as “**forward-looking statements**”). All statements other than statements of historical fact are considered forward-looking statements. Forward-looking statements are based on the assumptions, estimates, analyses and opinions of management made in light of its experience and its perception of trends, current conditions and expected developments, as well as other factors that management believes to be relevant and reasonable in the circumstances as of the date hereof. Often, but not always, forward-looking statements can be identified by the use of words such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “continues”, “forecasts”, “projects”, “predicts”, “intends”, “anticipates” or “believes”, or variations of, or the negatives of such words and phrases, or statements that certain actions, events or results “may”, “could”, “would”, “should”, “might” or “will” be taken, occur or be achieved. The forward-looking statements contained herein include, but are not limited to, information with respect to the Company’s expectations regarding: the legislative framework regarding the licensing of cannabis and related activities; proposed and anticipated changes to applicable laws and regulations regarding the cannabis market, associated fees and taxes and the business impact on the Company; any potential future legalization of adult-use and/or medical marijuana under U.S. federal law; the ability of the Company to realize the anticipated benefits of acquired businesses and the successful integration thereof; the potential size of the adult and medical-use cannabis markets in the jurisdictions in which the Company currently operates and may in the future operate; the availability and renewal of requisite licenses and permits on terms acceptable to the Company; anticipated future cultivation, manufacturing and extraction capacity and output, and the resulting anticipated operational and financial benefits to the Company; expectations as to the development and distribution of the Company’s brands and products and the distribution of third-party products; estimated future sales, estimated future operating costs and other prospective financial performance and the resulting effects on the Company’s financial position; prospective operational performance; business prospects and objectives and near and long-term strategies, including growth strategies; competitive strengths; anticipated trends and challenges in the Company’s business and the markets in which it operates; the ability of the Company to satisfy the requirements of its debt obligations, and to repay, renew or refinance such indebtedness upon such indebtedness becoming payable; anticipated cash needs; the Company’s ability to raise funds in the capital markets and the resulting effects on the Company’s financial position; the schedule for the release of outstanding shares or other securities of the Company or its subsidiaries that are currently subject to lock-up arrangements; other economic, business, regulatory and/or competitive factors related to the Company or the cannabis industry generally, and other events or conditions that may occur in the future.

Forward-looking statements are inherently subject to known and unknown risks, uncertainties and other factors that may be beyond the Company's ability to predict or control and that may cause the actual results, level of activity, performance or achievements of the Company to be materially different from those expressed or implied by such forward-looking statements, including but not limited to risks related to: the fact that cannabis is a controlled substance and continues to be classified as a Schedule I drug under the CSA (as defined herein); the enforcement of U.S. federal law and any other relevant law; investors' contributions to and involvement in such activities which may result in U.S. federal civil and/or criminal prosecution, including forfeiture of their entire investment; the Rohrabacher-Farr Amendment (as defined herein) not being renewed; federal and state forfeiture laws; the illegality of cannabis under U.S. federal law restricting the Company's access to capital; anti-money laundering laws and regulation; restricted access to banking; heightened scrutiny by regulatory authorities; cannabis products travelling across borders; regulatory or political change; the fact that the cannabis industry is a relatively new industry and may not succeed; the Company's management team or other owners could be disqualified from ownership in the Company; public opinion and perception; general regulation; licensure; California regulatory non-compliance; reclassification or rescheduling of cannabis in the United States under the CSA; service providers; enforceability of contracts; lack of access to the U.S. bankruptcy protections or other predictable means of resolving insolvency; environmental and regulation matters; the loss of the Company's foreign private issuer status and potentially becoming a full domestic issuer in the United States; the Company's Multiple Voting Shares and capital structure generally; the Company's ability to refinance, extend or repay its indebtedness; limited operating history; reliance on management; successfully obtaining additional financing as required to fund the Company's continuing operations; lack of profitability of the Company; competition; future acquisitions or dispositions; an agricultural business; vulnerability to rising energy costs; product liability; product recalls; results of future clinical research being unfavourable; reliance on key inputs; dependence on suppliers and skilled labour; growth management; cannabis products diversion; internal controls over financial reporting and/or disclosure controls and procedures being inadequate; forecasting and projections; leased premises; reliance on a single operating jurisdiction and lack of diversification; reliable data regarding the medical and adult-use marijuana industry; ongoing and/or future litigation; intellectual property rights; competition from synthetic production and technological advances; constraints on marketing cannabis products; fraudulent or illegal activity by employees, contractors and consultants; information technology systems, security breaches and cyber-attacks; taxation matters, including, without limitation, federal and, California state and local taxes; high bonding and insurance coverage costs; global financial conditions; the fact that the Company is a holding company; increased costs as a result of being a public company; limitations on remedies and rights to indemnification; enforcing judgments and effecting service of process on directors and officers; past performance not being indicative of future results; market price volatility; the impact of the ongoing Russia-Ukraine military crisis; the Israel-Palestine conflict, and other global events on financial markets; sales by existing securityholders, including upon expiration of existing lock-up arrangements; limited market for securities; climate change; interest rates and inflation; future sales of the Company's securities and dilution; as well as the factors discussed in the "*Risk Factors*" section of this AIF.

All forward-looking statements made herein are qualified by this Forward-Looking Information cautionary statement. The Company does not undertake to update any forward-looking statements, except in accordance with applicable securities laws. Accordingly, readers should not place undue reliance on forward-looking statements in this AIF. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

CORPORATE STRUCTURE

The Company was incorporated under the *Business Corporations Act* (British Columbia) ("**BCBCA**") on April 16, 2019, as a special purpose acquisition corporation with the name Mercer Park Brand Acquisition Corp. On May 13, 2019, Mercer Park completed an initial public offering and became listed on the Neo Exchange Inc., now operating as Cboe Canada ("**Cboe Canada**"). On June 29, 2021, Mercer Park completed a qualifying transaction under the rules of Cboe Canada (the "**Business Combination**") pursuant to the terms of an Agreement and Plan of Merger with GH Group, Inc., a Delaware corporation and a California-based vertically integrated cannabis company ("**GH Group**"), among other parties, dated as of April 8, 2021, as amended (collectively, the "**Business Combination Agreement**"). Upon completion of the Business Combination, the Company indirectly acquired 100% of the common equity interests of GH Group, and changed its name to Glass House Brands Inc.

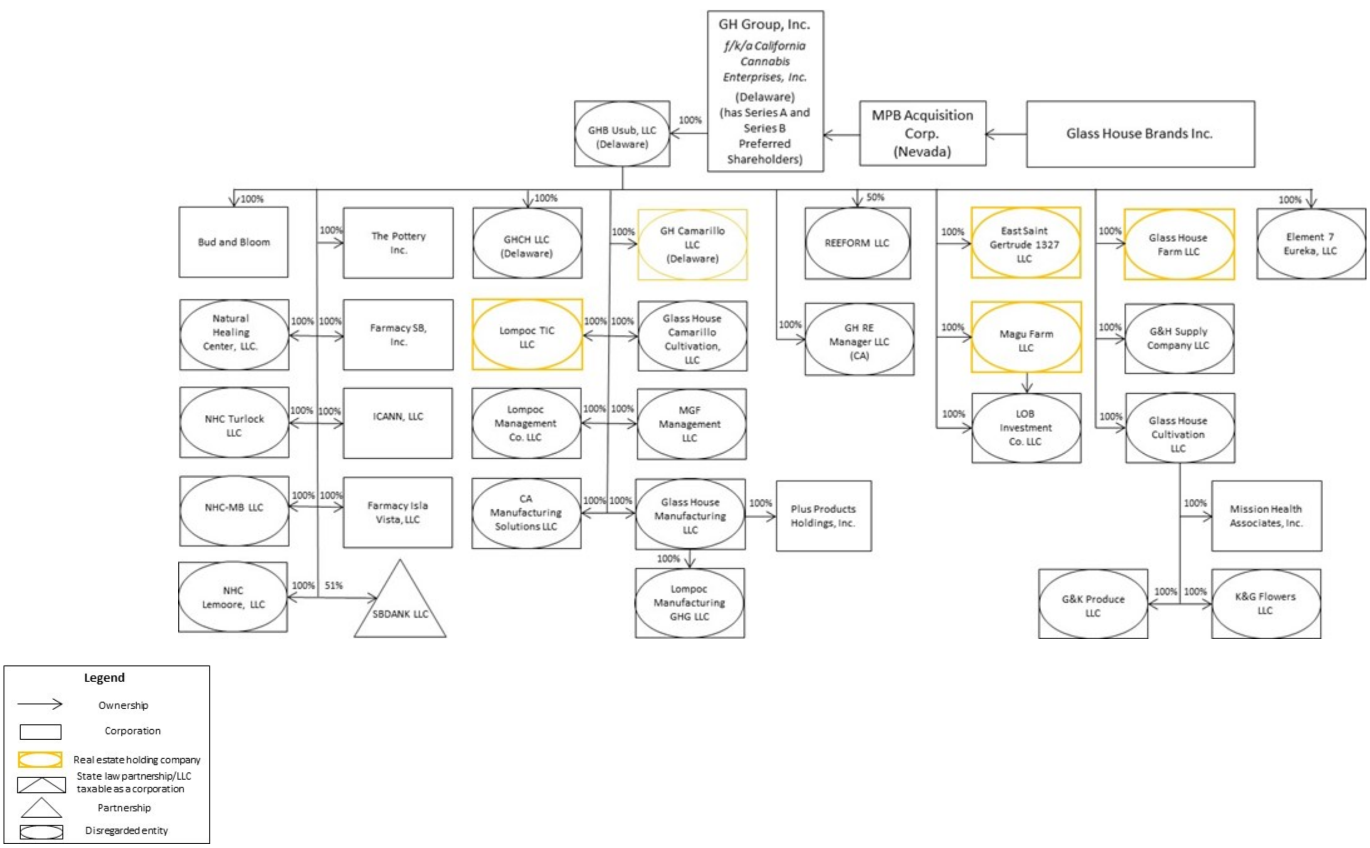
As a result of the Business Combination, GH Group's shareholders became the controlling shareholders of the Company, and the Company continued to carry on the business of GH Group and its subsidiaries. The Business Combination was effected by a reverse merger of an indirect subsidiary of Mercer Park with GH Group, with GH Group as the surviving entity, as a result of which GH Group became a majority-owned indirect subsidiary of the Company.

In connection with the Business Combination, the articles of the Company (the "**Articles**") were amended to, among other things: (i) create and set the terms of the restricted voting shares (the "**Restricted Voting Shares**") and limited voting shares of the Company (the "**Limited Voting Shares**"), (ii) amend the terms of Mercer Park's Class A restricted voting shares to provide for the conversion of such shares into Restricted Voting Shares, Limited Voting Shares, or subordinate voting shares of the Company (the "**Subordinate Voting Shares**", and collectively with the Restricted Voting Shares and the Limited Voting Shares, the "**Equity Shares**"), as applicable (rather than solely into the Subordinate Voting Shares), (iii) provide for the conversion of Mercer Park's Class B shares directly or indirectly on a one-for-one basis into Equity Shares, (iv) amend the terms of the multiple voting shares of the Company (the "**Multiple Voting Shares**") to convert the terms of such class of shares into non-transferable, redeemable and retractable preferred shares carrying 50 votes per share with no dividend or conversion rights and a \$0.001 redemption and liquidation value, and (v) amend the terms of the Subordinate Voting Shares issuable on conversion of Mercer Park's Class A restricted voting shares, including by amending the requirements in respect of who may hold Subordinate Voting Shares (collectively, the "**Share Terms Amendment**"). See "*Description of Capital Structure*".

At the annual general and special meeting of shareholders of the Company held on June 23, 2023, shareholders passed a special resolution to amend the Articles to extend the "sunset" date for the Multiple Voting Shares from June 29, 2024 until June 29, 2027. A Notice of Alteration in respect of such amendment was filed with the British Columbia Registrar of Companies on July 4, 2023.

The current head office of the Company is 3645 Long Beach Boulevard, Long Beach, California 90807. The registered office of the Company is 666 Burrard Street, Suite 2500, Vancouver, BC V6C 2X8 Canada.

Set forth below is the current organizational chart of the Company, setting out all material subsidiaries and affiliates of the Company and their jurisdiction of incorporation, formation or organization.



Note:

(1) As of December 31, 2024, the total number of voting common shares issued and outstanding in the capital of MPB Acquisition Corp. was 29,526,885 common shares, consisting of 22,509,019 Class A non-exchangeable voting common shares, all of which were issued to the Company in connection with the completion of the Business Combination, and 7,017,866 Exchangeable Shares (as defined herein), none of which are held by the Company. Accordingly, the Company currently controls approximately 76.23% and the holders of the Exchangeable Shares control approximately 23.77% of the total voting rights of MPB Acquisition Corp. as at December 31, 2024. See "*Description of the Capital Structure – Exchangeable Shares*".

GENERAL DEVELOPMENT OF THE BUSINESS

The highlights relating to the development of the Company's business over the past three (3) years are described below.

Acquisitions and Expansion

Element 7

Effective February 23, 2021, GH Group entered into a Merger and Exchange Agreement ("**E7 Merger Agreement**") with Element 7 CA, LLC ("**E7**") whereby GH Group had the right, subject to satisfactory completion of due diligence and certain other conditions, to obtain all of the limited liability company membership interests or other equity interests held by E7 in 17 holding companies that hold the rights to certain in-process state and local cannabis retail licenses or license applications, some of which were partially owned. In addition, GH Group entered into a License Development and Consulting Agreement ("**E7 License Agreement**", and together with the E7 Merger Agreement, the "**E7 Agreements**") with E7 to provide certain retail consulting services to develop and obtain up to 34 cannabis retail licenses in exchange for the payment of certain fees as set forth in the E7 License Agreement. In November 2021, GH Group terminated the E7 Agreements based on a breach of contract by E7, and as of December 31, 2021, GH Group had converted certain pre-closing financing payments and consulting fees into notes receivable in the amount of $2,274,167. As of December 31, 2024 and 2023, the notes receivable were fully reserved by the Company. As of December 31, 2023, the Company had received limited liability membership interests or other equity interests in three E7 entities out of 17 entities that were contractually committed to be transferred under the E7 Merger Agreement.

On November 4, 2021, GH Group filed a lawsuit in the Superior Court for the County of Los Angeles, Central District (Case No. 21STCV40401) against E7 and its principals and owners Josh Black and Robert "Bobby" DiVito (together, "**Element 7**") for a variety of claims, including fraud and breach of contract and demanded performance under the E7 Agreements.

The court proceeding was subsequently withdrawn by the Company without prejudice, and on March 13, 2022, GH Group entered into an agreement with American Patriot Brands, Inc. ("**APB**") to jointly file suit against E7 to enforce the transfer of certain contractually committed cannabis retail licenses ("**Joint Litigation Agreement**"). GH Group and APB jointly refiled a complaint against E7 in the Superior Court of California, County of Los Angeles (Case No. 22STCV09323). The Superior Court severed the claims of GH Group and APB, which resulted in APB's claims remaining in Superior Court and GH Group's claims being adjudicated in Signature Arbitration (Case No. LQMGL) (collectively, "**Element 7 Proceeding**").

Under the terms of the Joint Litigation Agreement, GH Group agreed to pay all legal fees for GH Group and APB's joint litigation against E7. GH Group also held the option to purchase any E7 cannabis retail license or licensed entity interests recovered by APB from E7 that were included in the E7 Merger Agreement, that either have a state or local permit and a valid lease, or a local permit that is without a real property site but is in a competitive license jurisdiction, in each case at a valuation of $750,000 per E7 license or licensed entity, paid in Equity Shares at the 10-day volume-weighted average price ("**VWAP**") calculated as of the date of such purchase. In addition, under the Joint Litigation Agreement, GH Group also held the right of first refusal to purchase any other E7 cannabis retail licenses or licensed entity outside of the foregoing groups, and the right to terminate the Joint Litigation Agreement at any time. As part of the Element 7 Settlement, the Joint Litigation Agreement was terminated as of September 19, 2023.

On September 19, 2023, E7, APB and GH Group entered into a Settlement and General Mutual Release Agreement ("**Element 7 Settlement**"), where E7 agreed to pay GH Group $2,865,000 to settle the Element 7 Proceeding; provided, that if E7 paid GH Group $1,865,250 by December 15, 2023, then E7 would have been entitled to a credit of $999,750 towards the $2,865,000 payment. In addition, E7 would retain ownership of its cannabis retail licenses.

E7 failed to pay GH Group $1,865,250 by December 15, 2023, and it also failed to subsequently pay GH Group the $2,865,000 that was due under the Element 7 Settlement.

On March 6, 2024, the Superior Court of Los Angeles entered into a Final Judgment and Order against E7 for the amount of $2,865,000 in favor of GH Group. The Company is currently conducting debtor examinations in an effort to enforce the judgment.

On November 19, 2024, C and H Holdings ("**C and H**") filed a breach of contract claim among other claims against E7 and other E7 related entities ("**C and H Lawsuit**"). In addition, C and H requested that the court appoint a receiver for E7 so that the assets could be used to satisfy C and H's claims under its loan agreement with E7 and the related E7 entities that were included in the lawsuit. C and H also named GH Group in the lawsuit to prevent GH Group from satisfying its judgment against E7.

GH Group is opposing the C and H Lawsuit and has asked that the judge clarify which E7 assets are subject to the C and H loan. As of March 20, 2025, this matter is still pending.

SoCal Greenhouse

On September 14, 2021, the Company completed its acquisition of an approximately 5.5 million square-foot high tech greenhouse facility located in Camarillo, California (the "**SoCal Facility**") for total consideration of $93.0 million in cash, plus stock considerations payable to the original holder of the option to purchase the SoCal Facility (the "**Option Holder**").

Under the terms of the definitive purchase agreements dated March 29, 2021, as amended, and the option rights to purchase the SoCal facility pursuant to the terms of an agreement to assign option dated June 6, 2021 as amended by an assignment and assumption of option agreement dated September 14, 2021 (collectively, the "**SoCal Purchase Agreements**"), the Company paid the sellers of the SoCal Facility at closing $93.0 million (approximately C$117.7 million) in cash and issued to the Option Holder 6.5 million Subordinate Voting Shares at a price equal to $10.00 per share (C$12.65). The Company held back 3.5 million Subordinate Voting Shares (the "**Contingent Shares**"), which may be issued to the Option Holder after closing upon satisfaction of certain contractual indemnity obligations. Finally, the Option Holder is entitled to earn up to $75.0 million (approximately C$94.9 million) of additional Subordinate Voting Shares (the "**Earn-Out Shares**"), to be priced based on the VWAP of such shares for twenty (20) consecutive trading days immediately prior to the last day of the 12-month period commencing on the date that is thirty (30) months after the date certain capital expenditures are made by the Company to the SoCal Facility, as more particularly detailed in the SoCal Purchase Agreements. The vesting of the Earn-Out Shares is determined pursuant to an earn-out formula set forth in the SoCal Purchase Agreements. See "*Material Contracts*". As of the date of this AIF, no Contingent Shares or Earn-Out Shares have been issued.

On March 10, 2022, the Company received California state cannabis licenses, as well as a cannabis business license from Ventura County, for the Phase I retrofit of the SoCal Facility. See "*Description of the Business – Cultivation*" below. The Company completed the first harvest in June 2022, four (4) weeks earlier than scheduled.

On March 1, 2023, the Company announced plans to commence a Phase II retrofit of an additional greenhouse, Greenhouse 5, to expand production at its SoCal Facility. The Company completed the first harvest from Greenhouse 5 in the first quarter of 2024. Greenhouse 5 provides approximately one million square feet of additional cultivation capacity and is expected to produce in excess of 300,000 pounds of high-quality sun grown cannabis. This expansion plan follows the successful completion of the Company's Phase I retrofit of the SoCal Facility in 2022.

On August 13, 2024, the Company announced plans to commence a Phase III retrofit of an additional greenhouse to expand production at its SoCal Facility, targeting approximately one million square feet of additional cultivation capacity capable of annually producing 275,000 pounds of high-quality sun grown cannabis with commercial cultivation expected to begin during the fourth quarter of 2025. This expansion plan follows the successful completion of the Company's Phase II retrofit, Greenhouse 5, of the SoCal Facility in 2024.

PLUS

On April 28, 2022, the Company acquired the business of Plus Products Inc. ("**PLUS**"), a leading cannabis edibles branded company based in California, through the acquisition of all outstanding securities of PLUS' wholly owned subsidiary, Plus Products Holdings Inc. The Company acquired PLUS for approximately $31 million through a combination of (i) the issuance of approximately C$20,504,850 in unsecured convertible debentures to existing secured noteholders of PLUS pursuant to a debenture indenture between the Company and Odyssey Trust Company, as trustee, dated April 28, 2022 (the "**Debenture Indenture**") (see "*Material Contracts*"), (ii) 2,102,654 Equity Shares to existing securityholders of PLUS, and (iii) approximately 1,800,000 restricted share units and 208,635 incentive shares to certain management, employees and consultants of PLUS.

The Pottery Dispensary

On July 27, 2022, 5042 Venice LLC (an indirect subsidiary of the Company) sold to certain third parties its 50% undivided tenancy in common in the property on which The Pottery dispensary is leased and operating (the "**Pottery Property**") for a total purchase price of $3,005,000. The balance of the tenancy in common interests held by the other 50% undivided tenant in common, TLMD RE Holdings, LLC, was also transferred to certain third parties for the same purchase price. The Pottery, Inc. entered into a new term lease agreement for the Pottery Property, which lease obligations are guaranteed by the Company.

On July 28, 2022, the Company acquired the remaining 50% equity ownership interest of The Pottery, Inc., the operating entity of The Pottery dispensary located in Los Angeles, California, pursuant to the terms of a binding agreement dated May 3, 2022, in an all-equity transaction. The equity interests of N.R.O. Management, LLC, and The Pottery, Inc. were acquired for 500,000 Equity Shares issued at $6 per share. As part of the transaction, the Company also acquired the remaining 50% ownership of The Pottery's three (3) active state cannabis retailer, distributor, and cultivation licenses, as well as six city-level adult-use and medical cannabis retailer, distributor, and cultivation licenses. On closing of the acquisition, the Company owned 100% of the equity interests in The Pottery dispensary.

Partnership with Seed Junky

On August 23, 2022, the Company announced its partnership with Seed Junky Genetics. Seed Junky is one of the premier cannabis genetics breeders both in California and globally, has created many of the most well-known strains in cannabis and powers a select few of the top premium brands in California. Under the terms of the partnership, Seed Junky partnered with the Company to breed and select strains that would be exclusively made available in the Company's brands including Glass House Farms, Forbidden Flowers, Field extracts and others.

As of March 1, 2023, the Company and Seed Junky agreed to mutually end their partnership.

Farmacy Isla Vista

On December 15, 2022, the Company expanded its retail footprint with the opening of its new Farmacy dispensary in Isla Vista, California.

Farmacy Santa Ynez

On January 9, 2023, the Company announced the soft opening of its new Farmacy dispensary in Santa Ynez, California, with the grand opening completed on January 28, 2023.

NHC Dispensaries

The Company completed the acquisition of the three (3) existing and operational Natural Healing Center ("**NHC**") branded dispensaries located in the Central Coast region during Q3 2022, including two dispensaries located in Grover Beach and Lemoore, California and acquired on September 6, 2022, and a dispensary located in Morro Bay, California and acquired on September 14, 2022. The Company also entered into a 5-year arm's length term lease at each location with three 5-year renewal options for a total term of up to 20 years.

The Company will issue, in total, approximately 2.35 million Equity Shares, 1.29 million Equity Shares and 2.0 million Equity Shares in connection with the Grover Beach, Lemoore and Morro Bay acquisitions, respectively, a portion of which have already been issued. A portion of the Equity Shares payable to the NHC sellers is subject to certain contractual lock-ups and escrow holdbacks and generally will be paid out over (2) two years from the applicable closing dates if all Equity Shares are released after the lock-up and holdback periods expire. They are also subject to certain contractual early-release triggers.

On April 21 2023, a fourth NHC-affiliated dispensary located in Turlock, California was acquired. The calculation for and the payment of the consideration for the Turlock dispensary is exclusively earn-out based and will occur at the end of its sixth full calendar quarter of operations, at 6 times its annualized EBITDA in said quarter. If the earn-out triggers apply, the consideration will be paid 80% in new Equity Shares priced at the 25-day VWAP of the Equity Shares as of the calendar quarter ending on the earnout date and 20% in the form of an unsecured promissory note bearing interest at 8% annually and maturing after the four-year anniversary of the closing date. Additional Equity Shares may be payable to the sellers of the Turlock dispensary in connection with the acquisition subject to certain contractual escrow holdbacks over four (4) years following the closing date if all Equity Shares are released after applicable holdback periods expire. Such Equity Shares are also subject to certain contractual early-release triggers.

Financing Transactions

Original Initial Term Loan

Effective December 10, 2021, the Company entered into a senior secured credit agreement (as amended, the "**Original Loan Agreement**"), among the Company, MPB Acquisition Corp., GHB Usub, LLC, GH Group and a U.S.-based private credit investment fund (the "**Original Lender**") for up to $100 million (the "**Original Loan**"), with an initial draw of $50 million (the "**Original Initial Term Loan**"). The Original Initial Term Loan had a variable interest rate most recently set at 12% per annum, the ceiling for such rate. The gross proceeds of advances made under the Original Loan were used to fund the phased retrofit of the SoCal Facility and for general corporate purposes.

The Original Loan, including the Original Initial Term Loan, was fully repaid, and of no further effect, on February 28, 2025. The conditions of the Original Loan Agreement included the issuance of 2,000,000 Listed Warrants to the Original Lender with each Listed Warrant exercisable at an exercise price of $11.50 to acquire one Equity Share until June 26, 2026, subject to acceleration or redemption as set forth under the terms of the Warrant Agreement. Notwithstanding the payoff of the Original Loan, the Original Lender retains such Listed Warrants. See "*Material Contracts*".

Offering of GH Group Series B Preferred Stock and Company Warrants

During the second half of 2022, the Company completed a non-brokered private placement of Series B Preferred Stock of GH Group, at a face value $1,000 per share, and warrants of the Company. The offering was completed in three tranches, which closed on August 31, October 3 and December 6, 2022, respectively. The aggregate gross proceeds raised from all three tranches were approximately $27.3 million, not including the amount used to redeem the remaining outstanding GH Group Preferred Shares. A total of 49,969 shares of Series B Preferred Stock were issued, with an aggregate face value of approximately $50 million.

Holders of the Series B Preferred Stock of GH Group are entitled to an annual dividend at a rate of 20% for the first two years after the date of initial issuance of Series B Preferred Stock, 22.5% for the third year and, thereafter, 25% until the 54-month anniversary of the initial issuance. The dividend accrues and is paid quarterly with an annual amount equal to 10% of the initial investment being payable in cash and the balance of the dividend being paid in kind, accumulating and compounding on a quarterly basis until paid; provided that if the Series B Preferred Stock remains outstanding after the 54-month anniversary of the initial issuance, the annual dividend shall thereafter be payable solely in cash at a rate of 20%.

The issuance of each share of Series B Preferred Stock of GH Group was accompanied by the delivery of 200 warrants of the Company, issued pursuant to the terms of a warrant indenture between the Company and Odyssey Trust Company, as warrant agent, dated August 31, 2022 (the "**Warrant Indenture**") (see "*Material Contracts*"). Each warrant has a five-year term and entitles the holder to purchase one Equity Share in the capital of the Company at a price of $5.00 per share subject to customary anti-dilution adjustments. The Company has the option to terminate any unexercised warrants if the underlying shares trade at a price of at least $12.00 per share, subject to customary anti-dilution provisions. As a condition to the offering, holders of GH Group who held existing warrants of the Company with a $10.00 exercise price issued in connection with the Business Combination agreed to the cancellation of such existing warrants, with 100 existing warrants to be canceled for each share of Series B Preferred Stock that is issued in exchange for GH Group Preferred Shares.

Offering of GH Group Series C Preferred Stock and Company Warrants

Beginning with an initial closing on December 29, 2022, the Company completed, in two tranches, a non-brokered private placement of Series C Preferred Stock of GH Group, at a face value of $1,000 per share, and warrants of the Company, for aggregate gross proceeds of $5.0 million on terms substantially similar to the Series B Preferred Stock, including the delivery of 200 warrants of the Company for each share of Series C Preferred Stock pursuant to the terms of the Warrant Indenture.

Offering of GH Group Series D Preferred Stock and Company Warrants

On August 24, 2023, the Company announced that it closed the first tranche of a non-brokered private placement of shares of Series D Preferred Stock of GH Group at a face value of $1,000 per share, and warrants of the Company, for aggregate gross proceeds of $10.9 million. On December 12, 2023, the Company announced the closing of the final tranche of the offering for additional aggregate gross proceeds of $4.1 million.

Holders of the Series D Preferred Stock will be entitled to an annual cash dividend at a rate of 15% for the first five years after the date of initial issuance of Series D Preferred Stock and 20% annually thereafter.

The issuance of each share of Series D Preferred Stock with a face value of $1,000 per share was accompanied by the delivery of 200 warrants of the Company issued pursuant to the terms of a warrant indenture between the Company and Odyssey Trust Company, as warrant agent, dated August 23, 2023 (the "**2023 Warrant Indenture**") (see "*Material Contracts*"). Each warrant entitles the holder to purchase one new Equity Share until August 23, 2028, at a price of $6.00 per share, subject to customary anti-dilution adjustments. The Company has the option to accelerate the expiration of any unexercised warrants if the Equity Shares trade at a price of at least $12.00 per share for a period of 10 trading days out of a period of any 15 consecutive trading days, subject to customary anti-dilution provisions.

Board and Management Changes

The Company announced: (i) the appointment of Erik W. Thoresen as Chief Business Development Officer on August 4, 2021; (ii) the appointment of Mark Vendetti as Chief Financial Officer on September 29, 2021; (iii) the departure of Daryl Kato as Chief Operating Officer on May 27, 2022, and that his responsibilities were assumed by Hilal Tabsh as Chief Revenue Officer, who was appointed on May 17, 2022; and (iv) the appointment of Benjamin Vega as General Counsel and Corporate Secretary on October 24, 2022, following the departure of Jamin Horn from this position effective June 3, 2022. Mr. Thoresen, the previous Chief Business Development Officer, departed from the Company on October 17, 2022.

On July 13, 2023, the Company announced that Hector De La Torre has stepped down from the Board (as defined herein) due to the time requirements of his appointment as Executive Director of the Gateway Cities Council of Governments.

On October 31, 2023, the Company announced the appointment of former California Assembly Speaker John A. Pérez to the Board and that Mr. Robert Hoban has resigned from the Board, in each case effective as of that same date.

On November 7, 2023, the Company announced the appointment of Yelena Katchko, Partner and founding member at Katchko, Vitiello & Karikomi, PC to the Board.

On February 8, 2024, the Company announced that John Perez has stepped down from the Board due to increasing commitments with his current employer.

On May 20, 2024, the Company announced the appointment of former Protective Insurance Company Chairman and Interim CEO, John "Jay" D. Nichols Jr, to the Board.

On June 6, 2024, the Company announced that Jamie Mendola has stepped down from the Board due to the time requirements of his increasing professional commitments.

On July 15, 2024, the Company announced the reappointment of Hector De La Torre to the Board.

Corporate Changes

At the annual general and special meeting of shareholders of the Company held on June 23, 2023, shareholders passed a special resolution to amend the Articles to extend the “sunset” date for the Multiple Voting Shares from June 29, 2024 until June 29, 2027. A Notice of Alteration in respect of such amendment was filed with the British Columbia Registrar of Companies on July 4, 2023.

Recent Developments Since December 31, 2024

New Senior Secured Credit Facility

On February 28, 2025, the Company entered into a senior secured credit facility with an institutional lender (the "**Lender**") for an aggregate principal amount of $50,000,000, maturing on February 28, 2030 (the "**Senior Secured Credit Facility**"). The Senior Secured Credit Facility functionally refinanced and replaced the Original Loan. The initial interest rate for the Senior Secured Credit Facility is 8.75% and has a floating interest rate based on the Wall Street Journal's prime rate plus 1.25%. On February 28, 2025, the Company entered into an interest rate swap agreement with a notional amount of $50,000,000 that effectively converted the variable-rate debt to a fixed rate of 8.58%. The interest rate swap agreement expires on February 28, 2030.

Payments for the first two years under the Senior Secured Credit Facility are interest only. Principal and interest payments will be made during the last three years based on a straight-line amortization of the loan amount over a period of 15 years, with a balloon payment of $40,000,000 due on the maturity date.
The Senior Secured Credit Facility will be secured by a first priority lien on the Company’s Camarillo, Padaro and Casitas greenhouse farms and facilities and a first priority lien on the rest of the Company’s subsidiaries’ assets excluding any other real estate assets.
The Senior Secured Credit Facility contains a covenant which requires the Company to hold $10 million in an account at the lending institution throughout the term of the loan. The Senior Secured Credit Facility also contains a covenant which requires the Company to maintain a Consolidated Fixed-Charge Coverage Ratio of at least 1.25x measured quarterly on a trailing-twelve-month basis commencing as of December 31, 2024. The Fixed-Charge Coverage Ratio is defined as Adjusted EBITDA minus income tax expense divided by the current portion of long-term debt plus interest expense plus the current portion of capital leases. Preferred equity dividend payments and convertible debt payments are not included in the Fixed-Charge Coverage Ratio calculation as the former can be suspended if needed and the latter can be paid in shares.

As noted above, the Company used a portion of the proceeds from the Senior Secured Credit Facility to repay the remaining balance under the Original Loan Agreement term loan in the amount of $40,625,000 plus fees, on February 28, 2025, and intends to use the remaining proceeds for working capital and general corporate purposes.

New Distributor

In March 2025, its co-packer and distributor went into receivership. The Company subsequently entered into a logistical relationship with a new distributor.

DESCRIPTION OF THE BUSINESS

Overview

The Company is a vertically integrated cannabis company that operates exclusively in the state of California. The Company cultivates, manufactures, and distributes cannabis bulk flower and trim to wholesalers and consumer packaged goods (“**CPG**”) to Company-owned and third-party retail stores in the state of California.

The Company operates multiple greenhouse cultivation facilities located in unincorporated Carpinteria and Camarillo, California, and its manufacturing facility is located in Lompoc, California. The Company generates revenue by selling its products in bulk at wholesale and at retail to its own and third-party dispensaries in California, including both raw cannabis, cannabis oil, and cannabis CPG. The Company's "Farmacy" branded dispensaries are currently located in Santa Barbara, Santa Ana, Berkeley, Isla Vista and Santa Ynez, California. The Company also operates four (4) NHC-branded dispensaries in Grover Beach, Lemoore, Morro Bay and Turlock, California. The Company also operates one dispensary in Los Angeles, California under The Pottery brand.

The following table sets out the Company's revenue (comprised of wholesale biomass, wholesale CPG and retail) for each of the last three financial years (dollars in millions):

		2024	%		2023	%		2022	%
Wholesale Biomass	$	139.1	69.2%	$	105.7	65.7%	$	41.4	48.8%
Wholesale CPG		18.0	9.0%		16.0	10.0%		16.8	19.8%
Retail		43.8	21.8%		39.1	24.3%		26.7	31.4%
Total	**$**	**200.9**	**100%**	**$**	**160.8**	**100%**	**$**	**84.9**	**100%**

Cultivation

The Company's cultivation strategy focuses on marrying nature and technology with the goal of producing premium quality cannabis in greenhouses specifically designed to optimize quality and yields while minimizing inputs and environmental impact. The Company uses the sun, the climate and advanced technology to conduct precision agriculture.

As of the date hereof, the Company's greenhouse cultivation is conducted in three (3) facilities, being: (i) the Casitas facility, an approximately 150,000 sq. ft. facility located in Santa Barbara County, California greenhouse facility (the "**Casitas Facility**" or "**Casitas**"); (ii) the Padaro facility, an approximately 375,000 sq. ft. facility located in Santa Barbara County, California (the "**Padaro Facility**" or "**Padaro**"); and (iii) the SoCal Facility located in Camarillo, California. Together the three facilities total approximately six million sq. ft. of indoor greenhouse area, although cannabis cultivation is not currently conducted in the entirety of all greenhouse areas.

Each of the Casitas and Padaro facilities had been cut flower greenhouses prior to the Company taking over the properties and were transitioned to cannabis use by the Company. The Casitas Facility includes more than 150,000 sq. ft. of greenhouse footprint with onsite propagation, nursery, flowering canopy, drying and on-site processing. It originally started under the California Proposition 215 regulatory structure and was used as the model facility for the creation of the Santa Barbara County cannabis ordinance and tax plan. It underwent a full retrofit by the Company, including the addition of new growing systems, fertigation, photoperiod lights, automated light deprivation curtains, and upgraded climate control technology. The Company followed up the Casitas project with its Padaro Facility acquisition, which tripled the Company's cultivation footprint while increasing canopy planting efficiency through the use of an innovative rolling tray system. The Company retrofitted the Padaro Facility with significantly improved efficiency, lower cost per sq. ft. costs and improved operating processes. The Padaro property was the very first fully licensed and entitled cannabis facility in the Santa Barbara coastal area. The Company's Santa Barbara-based greenhouse operations were substantially expanded in 2020. Facility upgrades to Padaro were fully completed in Q3 2020, allowing 100% of the Company's 246,480 sq. ft. of licensed greenhouse canopy to be operational at the start of Q4 2020, up from 205,287 square feet in July 2020.

The Southern California climate, with over 280 days of sun per year, minimizes the need for supplemental electric lighting to drive yields, while moderate ambient temperatures and humidity levels drastically reduce climate control expenses and limit pest pressures. The Company's flower is predominantly sun-grown in "light deprivation" greenhouses, with supplemental lighting used only for photoperiod control of flowering schedules, so as to allow for the maximum number of harvests per year on a "perpetual harvest" model.

On September 14, 2021, the Company acquired the SoCal Facility located in Camarillo, California. The SoCal Facility consists of six high-tech, environmentally controlled agricultural greenhouses totaling approximately 5.5 million square feet, located on a 165-acre property in Ventura County, California. The Company received the necessary licenses to operate Phase 1 of the SoCal Facility on March 10, 2022, including all California state licenses for nursery, cultivation and processing operations, and the local cannabis business license from Ventura County. The Phase I retrofit involved the optimization of approximately 1.7 million square feet of the SoCal facility for cannabis cultivation. Included in the first phase retrofit was the conversion of two (2) greenhouses. One consists of a nursery, growing clones to support the entire facility; and the other is used for flowering and has a capacity of approximately 300,000 dry pounds of cannabis per year. Also included is a packhouse for processing and a separate distribution center which will support the cultivation operations. The first harvest at the SoCal Facility was completed in June 2022. In 2023, the Company retrofitted an additional greenhouse to expand production at its SoCal Facility, targeting an incremental one million square feet capable of producing in excess of 300,000 pounds of high-quality sun grown cannabis annually with commercial cultivation beginning in first quarter of 2024. The Company is in its Phase III retrofit of an additional greenhouse to expand production at its SoCal Facility, targeting approximately one million square feet of additional cultivation capacity capable of annually producing 275,000 pounds of high-quality sun grown cannabis with commercial cultivation expected to begin during the fourth quarter of 2025.

In order to maintain high quality cultivation outputs, the Company's cultivation team employs Integrated Pest Management ("**IPM**") techniques. IPM is an ecosystem-based strategy to control pests and associated crop damage through techniques such as biological controls including the use of beneficial insects and climate control and manipulation.

The use of IPM requires constant and careful assessment of plant health by the Company's team of IPM specialists who continuously monitor plant growth, pest pressure, climate and other relevant factors and take active and pre-emptive steps to prevent issues from arising.

Cultivation Performance

As of December 31, 2024, the Company's total greenhouse licensed cultivation canopy was approximately 1,525,000 sq. ft. The Company's ability to grow productively at scale has resulted in lower unit production costs. During 2024, the Company increased production of dry equivalent pounds by 70.6% and drove down production costs per pound, from $136/lb in 2023 to $123/lb in 2024. The Company produced 608,478 lbs of dry equivalent pounds in 2024.

Cultivation and Processing Licenses

Padaro Licenses

The applicable licenses for cultivation issued by the California Department of Cannabis Control (the "**DCC**") (a consolidated department of the state which assumed regulatory authority over cannabis cultivation licenses originally issued by, among other issuing agencies, the California Department of Food and Agriculture) are held by K&G Flowers, LLC and G&K Produce, LLC, respectively (each of which is a wholly owned subsidiary of GH Group).

Casitas Licenses

The applicable licenses for cultivation issued by the DCC are held by Mission Health Associates, Inc. (a wholly owned subsidiary of GH Group).

The Pottery Licenses

The applicable license for cultivation/processing as well as for distribution/transportation issued by the DCC are held by The Pottery Inc. (a wholly owned subsidiary of GH Group).

SoCal Facility Licenses

The applicable licenses for cultivation/processing issued by the DCC are held by Glass House Camarillo Cultivation, LLC (a wholly owned subsidiary of GH Group).

Manufacturing and Distribution

The Company's Lompoc facility is a roughly 20,000 sq. ft. industrial property purpose-built to convert cannabis biomass into "CPG", located less than a four-hour drive from both the San Francisco Bay Area and Los Angeles, and about one hour's drive from the Company's cultivation facilities. The facility holds Type 7 cannabis manufacturing licenses which enables it to conduct all manufacturing, extraction, infusion, conversion, and packaging processes legal in the State of California, ranging from physical, "solventless" extraction processes to volatile solvent extraction and remediation methods. This allows the facility the optionality to produce a wide variety of cannabis products.

The facility also holds a Type 11 cannabis distribution license, which designates the facility as a distribution hub for the Company's California operations. Given the logistical issues that the state framework can engender as a result of testing, quarantine and distribution regulations, this license can simplify some of the supply chain challenges faced by an operator of the Company's scale relying on third-party distribution services.

Lompoc Facility

The Lompoc facility was renovated in collaboration with extraction and manufacturing professionals with substantial combined experience in the category of cannabis extraction and manufacturing and in creating such facilities. Operational efficiency at scale and process optionality were core to the design philosophy implemented in anticipation of an evolving landscape for both cannabis product trends and extraction and manufacturing technologies. To this end, extensive HVAC systems, thorough access management controls, and intensive safety protocols were implemented to enable safe and compliant volatile-solvent extraction capability at large scale, and even the layout of the facility itself creates workflow efficiency while also enhancing safety. Products in process move through the facility in an optimized flow. Walls are treated with antimicrobial and antifungal coatings to ensure product purity and safety. Deep freezer capacity has been maximized to enable large-scale "**live**" extraction processes, which use cannabis plants flash-frozen upon harvest as their raw material. The power supply has been upgraded to support production far in excess of foreseeable output, and office space has been updated to enable better facility management.

Options for products that can be produced at the facility cover a broad range of cannabis manufactured goods, from cannabis-infused edible products to concentrates, such as rosin and resin.

Manufacturing and Distribution Licenses

The applicable license for manufacture as well as for distribution issued by the DCC is held by CA Manufacturing Solutions LLC (a wholly owned subsidiary of GH Group).

Wholesale

In addition to sending cultivated biomass to the Lompoc facility for manufacture, the Company also sells its biomass to distributors throughout the State of California. Further, the Company has a wholesale business selling Company-branded CPG to distributors and retailers in the State of California. The Company's wholesale revenue increased by $35.3 million, or approximately 29.0%, for the year ended December 31, 2024 as compared to the year ended December 31, 2023, primarily due to the incremental cultivation canopy in production from the SoCal Facility.

During Q1 2023, the Company's CPG business primarily sold to a single distributor, who in turn sold the Company's brands to dispensaries throughout the state. Beginning in Q2 2023, the Company moved to a logistics agreement with the distributor where the distributor only delivered the Company's product to dispensaries, and the Company became entirely responsible for managing the relationship with the dispensary. In June 2023, the distributor went into receivership, and the Company moved its logistics relationship to one of its co-packers. In March 2025, its co-packer and distributor went into receivership. The Company subsequently entered into a logistical relationship with a new distributor.

Brand, Product and Marketing

The creation of dominant, extensible CPG products and brands is the Company's long-term strategic mission. While many cannabis businesses prioritize brand building and customer acquisition before securing a reliable product flow, the Company believes that in a consumer-focused CPG space, consistent delivery of high-quality product at an attractive price point is a first principle, and a prerequisite for any other activity.

As production quantity has increased and the Company's products have become more widely distributed, the Company has been pleased to receive recognition for its improved product quality from a number of cannabis-friendly media outlets such as LA Weekly, to cannabis influencers and connoisseur cannabis reviewers, such as Respect My Region.

The Company does not aim to create a consumer-facing corporate-umbrella brand, but instead takes a "House of Brands" approach, with a portfolio of brand assets constructed on consumer data, consumer segmentation, analysis and insights.

The Company has taken care to segment its consumer and product types so as to cover a broad swath of the market, from new cannabis users to connoisseurs, across a range of use cases, product formats, and price points. Glass House Farms, the Company's flagship brand, provides arguably one of the best-in-class, affordable cannabis flower products for everyday consumption. The Company sells products in various forms and categories, including flower (jars and bags) and pre-rolls (single, multi-pack and infused). The Company also purchased Plus Edibles in 2022, which sells edibles across a variety of effects and flavors. In addition, the Company sells Mama Sue (tinctures) and Allswell (flower, pre-rolls and edibles).

Retail

As of December 31, 2024, the Company operates ten retail dispensaries across California, including in Los Angeles, Santa Barbara, Santa Ana, Berkeley, Isla Vista, Grover Beach, Lemoore, Morro Bay, Santa Ynez and Turlock.

The Company uses clean, minimalistic retail space with a focus on local sourcing and sustainably grown cannabis. The Company's staff has substantial knowledge on the health and wellness benefits of cannabis and is trained to educate customers on responsible adult-use, including understanding appropriate dosing.

The Company offers a curated selection of high-quality cannabis products in a variety of price tiers, servicing a wide range of the community. The product selection specifically promotes local and sustainably cultivated cannabis through sourcing of brands that are local to the retail facility and focuses on educating customers on the importance of supporting the local economy by purchasing locally grown cannabis. The Company's motto is "Local Farms, Local People, Local Values". This ethos is woven into purchasing decisions and illustrates the Company's prioritization of locally cultivated and manufactured products.

The Company intends to curate what it believes to be the best selection of cannabis products from the following categories: flower, edibles, beverages, topicals, sublinguals and concentrates. Unlike many cannabis retailers that emphasize high-tetrahydrocannabinol ("**THC**") levels in their products, product curation is a specialty of the Company and focuses on educating customers seeking to match needs and desires with appropriate products to provide optimal experiences. This de-emphasis on THC helps customers understand the many benefits of a wide range of cannabinoids, including cannabidiol ("**CBD**"), cannabinol and Tetrahydrocannabivarin.

The Company's retail revenue increased by $4.7 million, or 12.1%, for the year ended December 31, 2024, as compared to the year ended December 31, 2023. The increase is primarily attributable to increased sales due to our strategic pricing initiative implemented in the first quarter of 2024 which resulted in lower consumer prices and increased traffic.

Partially offsetting the revenue growth was a change in how the California Department of Tax and Fee Administration collected the excise tax associated with sales of cannabis products. Effective January 1, 2023, distributors were no longer responsible for remitting excise tax to the state and the selling price to dispensaries was reduced. As a result, the Company's dispensaries reduced their selling price, but gross profit dollars remained roughly the same. After the change, dispensaries became responsible for collecting and remitting the excise tax to the state.

Retail Locations

The Company offers online payment processing, as well as in-store pickup and home delivery services for adult-use and medicinal-use customers at all locations. See "*Cannabis Market Overview – Compliance with License Requirements – Retail and Distribution*" for a discussion of the Company's online sale and delivery regulatory compliance protocols.

Farmacy SB

Farmacy SB is located at 128 W Mission Street, Santa Barbara, California. It was the first licensed adult-use retail storefront to open in the City of Santa Barbara. The Company secured one of only three (3) storefront retail permits from the City of Santa Barbara, after an exhaustive merit-based selection process. Over 60 applicants applied, and Farmacy SB's application was one of the highest scored applications. Farmacy SB was selected for a license due to its compatibility with the surrounding neighborhood, local hiring commitment, employee benefit plans, dedication to compliance and design.

As an example of the Company's contribution to and partnership with the local community, the Company has sponsored a popular "Neighbor Deal" program that encourages its customers to shop at nearby businesses by offering discounted product if they show a same-day receipt. In this manner, the Farmacy SB has also enhanced the quality of the surrounding neighborhood and built positive relationships with neighboring businesses.

The applicable license for retail issued by the DCC is held by Farmacy SB, Inc. (a wholly owned subsidiary of GH Group).

Farmacy Berkeley

Farmacy Berkeley is located at 3243 Sacramento St, Berkeley, California and has been in operation since 2019. The Farmacy Berkeley strives to bring together cannabis advocates who share a consistent commitment to sustainably produced cannabis products delivered in a welcoming, inviting, and open environment.[1]

The applicable license for retail issued by the DCC is held by iCANN, LLC doing business as Farmacy Berkeley (a wholly owned subsidiary of GH Group).

The Pottery

The Pottery is located at 5042 Venice Blvd., Los Angeles, California, and includes cultivation, distribution and a retail dispensary with delivery and has been in operation since 2018. This property is in a high traffic area and is comprised of an approximately 21,000 sq. ft. lot with an approximately 12,000 sq. ft. building. It is centrally located between Beverly Hills, Culver City, Hollywood, Santa Monica and downtown Los Angeles. Approximately one-third of the facility's building area is dedicated to The Pottery's retail shop, while the remaining space is licensed for distribution and indoor cannabis cultivation.

The Pottery strives to bring together cannabis enthusiasts from within their local community and create an environment that is welcoming, energetic, and inclusive. The Pottery offers delivery services to a number of nearby cities including

Santa Monica, Culver City and West Hollywood. The Pottery also holds a license for the distribution of cannabis goods which authorizes it to package cannabis flower grown onsite.

The applicable license for retail issued by the DCC is held by The Pottery Inc. (which became a wholly owned subsidiary of the Company in July 2022 when the Company acquired the remaining 50% equity ownership interest).

Farmacy Santa Ana

Farmacy Santa Ana, located at 1327 East St. Gertrude Place, Santa Ana, California, has been in operation since 2016.

The applicable license for retail issued by the DCC is held by Bud and Bloom (a wholly owned subsidiary of GH Group).

Farmacy Isla Vista

Farmacy Isla Vista, located at 6555 Pardall Road, Isla Vista, California, is a retail cannabis dispensary, and represents the second Farmacy storefront in Santa Barbara County. The dispensary is built to serve the needs of both recreational and medical cannabis consumers, providing curated quality products and expert staff.

The applicable license for retail issued by the DCC is held by Farmacy Isla Vista, LLC (a wholly owned subsidiary of GH Group).

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[1] East Bay Express (2021). Best of The East Bay 2021 – Reader's Picks: Best Cannabis Delivery. Available at: https://eastbayexpress.com/readers-picks-cannabis/.

NHC Dispensaries

The Company acquired three (3) NHC-branded dispensaries located in Grover Beach, Lemoore and Morro Bay, California, in September 2022 and a fourth pre-operational NHC dispensary located in Turlock, California in April 2023. All four NHC-branded dispensaries are operational as of May 2023.

Farmacy Santa Ynez

Farmacy Santa Ynez, located at 3576 Madera Street, Santa Ynez, California, was opened on January 28, 2023.

The applicable license for retail issued by the DCC is held by SBDANK, LLC (a partially owned subsidiary of GH Group), as described in the table below.

Information Technology and Inventory Management

The Company has an information technology infrastructure that prioritizes security, compliance, business process support, customer-facing technology, operational systems, data insights, and business intelligence.

The Company used Microsoft Business Central with "Cannabis add on," a third-party software platform, to serve as its inventory management system ("**IMS**") and data warehouse through the first half of 2024. Beginning in July 2024, the Company began transitioning to SAP Business One ("**SAP**") as its enterprise resource management system ("**ERP**"). This system also has additional, cannabis specific, user-interfaces written by Seed & Beyond (our SAP integrator). By the end of 2024, the Company completed implementation of the new system in its Cultivation, Wholesale, and CPG segments.

The Company's ERP supports company-wide operations including wholesale sales, internal inventory transfer transactions, customer data management, production management, inventory management, pricing, order management, accounting, finance and purchasing.

The Company also uses the ERP for monthly full inventory counts. The Company's ERP allows for comprehensive reporting on all stages of inventory within the Company.

The new SAP ERP platform is the primary source for data stored in the Company's business intelligence platform which allows users to access key financial and operational data such as revenue, inventory, and production on as frequently as a daily basis.

The IMS and ERP systems push information into California's seed-to-sale track and trace system ("**METRC**").

All personally identifiable information is required to be stored and maintained by the Company in compliance with the *California Consumer Privacy Act*.

Banking & Processing

The Company and all of its operating entities have accounts with one or more Federal Deposit Insurance Corporation insured banks or banks insured by the National Credit Union Administration headquartered in the greater Los Angeles area. The Company selected one of its primary banks because it is a subsidiary of one of the largest banks in the United States, which is expected to be helpful as the Company scales its operations.

The Company currently accepts cash and debit cards for sales in the retail locations and cash, ACH and check for sales to direct-to-consumer customers. See "*Cannabis Market Overview – Compliance with License Requirements – Retail and Distribution*".

Specialized Skills

The Company specializes in the cultivation, extraction, product development, manufacturing and distribution of cannabis and cannabis products. The Company employs personnel with a wide range of skill sets, including those with master's and bachelor's degrees in their respective fields. Comprehensive training and specialized courses are provided, as applicable, for each role. With respect to cultivation, the Company recruits individuals with plant science and agricultural experience, and personnel have the practical experience necessary to cultivate high yielding, multiple strain variety cannabis plants and to develop new cannabis strains through selective horticultural practices. With regard to extraction, the Company recruits individuals with extraction and distillation experience for its product lines, and personnel have the practical experience and knowledge necessary to process the raw, dried cannabis product through volatile extraction processes, thereby generating high yields of cannabis extracts and distillates. In addition, Company personnel have the practical experience and knowledge necessary to conduct secondary processing of cannabis biomass into crude cannabis oil, distillate, and concentrates, including shatter, wax, diamonds and crystals, and to utilize the natural terpenes in cannabis to formulate premium vaporizer oils. Terpenes are the oils that give cannabis plants their smell. They come from the same components as THC and CBD.

With regard to product development and manufacturing, the Company recruits individuals with professional culinary education for edibles product development for its edibles division, and personnel have extensive experience in confectionary product development and manufacturing, particularly with regard to cannabis edibles, including chocolates, candies, cookies, gummies, beverages and tinctures.

With regard to sales and distribution, the Company recruits employees who retain a high degree of industry awareness and knowledge and who can interface with dispensaries state-wide and introduce our products with the intention of retaining and potentially increasing shelf-space and maintaining or increasing their market share. The Company's sales and distribution teams are important conduits for collecting intelligence on consumer behavior and trends. Our distribution capabilities are critical to building trust with dispensaries that they will receive inventory on a timely and consistent basis.

The Company believes that it currently possesses all the specialized skills and knowledge it requires but will continue to compete with other cannabis and manufacturing companies to secure and retain such qualified staff.

Sources, Pricing and Availability of Raw Materials, Component Parts or Finished Products

The Company sources its Cannabis biomass needs for its CPG brands almost entirely from its existing cultivation facilities. The Company has more than enough capacity to supply all of its flower related brands for the foreseeable future. Currently, the Company is externally sourcing manufactured cannabis extracts for its edible products. The Company believes this material is readily available from multiple third-party sources at competitive prices.

The Company's dispensaries sell both the Company's brands such as Glass House Farm's, Allswell, and Plus and other cannabis brands sourced from third parties at its dispensaries.

Intangible Property

The Company has developed numerous proprietary technologies and processes. These proprietary technologies and processes constitute trade secrets and include its information system software, cultivation, edible manufacturing and extraction techniques, quality and compliance processes and new product development processes. While actively exploring the patentability of these techniques and processes, the Company relies on non-disclosure/confidentiality arrangements and trade secret protection. The Company has invested significant resources towards developing recognizable and unique brands consistent with premium companies in analogous industries. To date, the Company has fourteen (14) registered trademarks with the State of California and has one trademark registered with the United States Patent and Trademark Office.

The Company owns 150 domain names, including its website domain (http://www.glasshousebrands.com/), in addition to social media accounts across all major social media platforms. The Company maintains strict standards and operating procedures regarding its intellectual property, including the regular use of non-disclosure, confidentiality, and intellectual property assignment agreements.

Environmental

Although a number of environmental restrictions apply to the Company, they are of a general nature and often tied to limitations on land use and thus do not materially affect ongoing operations. The environmental regulations that do affect operations generally relate to natural resource use, such as water use permits, wastewater management, energy generation, pest management and air pollution limitations. Although these regulations limit the scope of potential operations, such financial and operational obligations related to such regulations are not expected to have a material impact on the Company's financial position or operations as currently conducted.

Employees

As of December 31, 2024, the Company had 321 full-time employees, 53 part-time employees and two independent contractors. The employees are distributed among several departments including manufacturing, cultivation, distribution and warehousing, quality assurance/control and compliance, sales, marketing, finance, accounting and administration. Additionally, the Company utilizes contract employees in security, cultivation, packaging and warehousing activities. The use of contract employees enables the Company to manage variable staffing needs and in the case of cultivation and security personnel, access to experienced, qualified and readily available human resources.

Competitive Conditions

As the Company is vertically integrated, it competes on multiple fronts, from manufacturing to retail to delivery, and experiences competition in each of these areas. From a retail perspective, the Company competes with other licensed retailers and delivery companies in the geographies where retail and delivery services are located. These other retailers range from small local operators to more significant operators with a presence throughout the State of California and other states in the United States. From a product perspective, the Company competes with other manufacturers of brands for shelf space in non-Company owned dispensaries throughout California. Similar to certain competitors in the retail space, the Company competes with manufacturers ranging in size from small local operators to significant operators with a larger presence. Indirectly, the Company competes with the illicit market, including many illegal dispensaries.

Over the last two years, the Company has significantly expanded it cultivation footprint with the addition of its two greenhouses in Camarillo, which increased square feet of cultivation from approximately 332,000 to approximately 1,525,000 in Q2 of 2024. The Company monitors active license counts in cultivation to better understand cultivation capacity increases or decreases. Using data from the California Department of Cannabis Control, the Company calculated that the active license count for mixed light (greenhouse) and outdoor licenses decreased by 3,668 or 51% from June 30, 2022, to December 31, 2024, the period in which our first greenhouse at Camarillo was fully operational. Using this data, the Company also estimated that over 23 million square feet of cultivation production capacity left the market during this period. This decrease is well in excess of the additional capacity the Company added during Q3 2022 and Q2 2024.

Cyclicality

California cultivation experiences significant seasonal swings in productions during the year. As of December 31, 2024, 80% of the active licenses in California are mixed light and outdoor licenses. As result, the Company believes California cultivation production is much larger in the second half of the year than the first half. Because cultivation production yields in mixed light facilities are positively impacted by the increased sunlight and intensity during the late spring, summer and early fall, production output increases significantly during the second half of the year. Also, due to weather, outdoor cultivation facilities typically do not harvest in the front half of the year and get two harvests in the second half of the year. These factors contribute to significantly more production in the second half of the year. The higher production leads to lower prices for bulk biomass sales in the second half of the year which can be as much as 20% lower than in the front half of the year.

CANNABIS MARKET OVERVIEW

In accordance with the Staff Notice 51-352 (Revised) – *Issuers with U.S. Marijuana-Related Activities of the Canadian Securities Administrators* ("**Staff Notice 51-352**"), below is a discussion of the current federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is currently directly or indirectly involved through its subsidiaries. In accordance with Staff Notice 51-352, the Company intends to evaluate, monitor and reassess this disclosure, and any related risks, on an ongoing basis and the same will be supplemented and amended and made available 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 licensing, business activities or operations are required by Staff Notice 51-352 to be promptly disclosed by the Company.

The legalization and regulation of marijuana for medical and adult-use purposes is being implemented at the State level in the United States, and in California, at the State and local levels. State laws regulating cannabis are in direct conflict with the federal *Controlled Substances Act of 1970* (the "**Substances Act**" or "**CSA**"), which lists cannabis as a Schedule 1 drug and renders cannabis use and, except in very limited circumstances, possession federally illegal. Although certain states and territories of the U.S. authorize medical and/or adult-use cannabis production and distribution by licensed or registered entities, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law under any and all circumstances under the CSA. Although the Company's activities are compliant with applicable United States State and local laws, strict compliance with State and local laws with respect to cannabis may neither absolve the Company of liability under United States 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 under "*Risk Factors*".

In accordance with Staff Notice 51-352, below is a discussion of the federal and state-level U.S. regulatory regimes in those jurisdictions where the Company is, directly or indirectly involved through its subsidiaries. The Company and its subsidiaries are directly engaged in the cultivation, manufacture, possession, use, sale and distribution of cannabis, and hold licenses in the adult-use and/or medicinal cannabis marketplace in the State of California. In accordance with Staff Notice 51-352, the Company will continue to 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 cannabis regulation. As noted under "*Non-Compliance with State and Local Cannabis Laws*" below, the Company intends to promptly remedy any known occurrences of non-compliance with applicable State and local cannabis rules and regulations and to publicly disclose any non-compliance, citations or notices of violation which may have an impact on its licenses, business activities or operations.

Exposure to U.S. Marijuana Related Activities

As of December 31, 2024, 100% of the Company's business was directly derived from U.S. cannabis-related activities, based on the existing operations of the Company. As such, the Company's balance sheet and operating statement exposure to U.S. cannabis related activities is 100%.

California Cannabis Market

Management believes that California, given its talent pool, wealth of brand and product expertise and superior growing conditions, is the most strategic base for expansion once cannabis is legalized at the federal level clearing the way for interstate commerce. It is management's view that California has significant impact on global consumer trends, especially the CPG industry. In other states and around the world, California cannabis strains are often perceived as 'the gold standard'. With over 31 million adult residents and approximately 271 million visitors annually, the legal market for California cannabis product sales was $4.0 billion in 2024 per the California Department of Tax and Fee Administration and is larger than any other state in the United States. It is commonly estimated that the total market in California, including legal and non-legal cannabis sales, is US$10-15 billion, making it the largest cannabis market in the world. The total size of the US legal market for cannabis in 2024 was estimated at US$32.1 billion by the MJBiz Factbook, and this source projects that the market will grow to US$54.2 billion by 2029.

Legal and Regulatory Framework

United States Federal Regulatory Environment

The federal government of the United States regulates controlled substances through the CSA, which places controlled substances on one of five schedules. Currently, marijuana is classified as a Schedule I controlled substance. A Schedule I controlled substance means the Drug Enforcement Agency considers it to have a high potential for abuse, no accepted medical treatment, and a lack of accepted safety for the use of it even under medical supervision. Overall, the United States federal government has specifically reserved the right to enforce federal law regarding the sale and disbursement of medical or adult-use marijuana even if such sale and disbursement is sanctioned by State law. Accordingly, there are a number of significant risks associated with the business of the Company and unless and until the United States Congress amends the CSA to remove marijuana as a scheduled controlled substance with respect to medical and/or adult-use cannabis (and as to the timing or scope of any such potential amendments, there can be no assurance, and further there can be no assurance that any action by the United States Congress to place marijuana on a different schedule under the CSA would operate to reduce risk under federal law with respect to Company's business operations), there is a significant risk that federal authorities may enforce current federal law, and the business of the Company may be deemed to be producing, cultivating, extracting, or dispensing cannabis or aiding or abetting or otherwise engaging in a conspiracy to commit such acts in violation of federal law in the United States. See "*Risk Factors*".

The Company's operations, to the Company's knowledge, are in compliance with applicable State laws, regulations and licensing requirements in all material respects. Nonetheless, for the reasons described above and risks described under the headings "*Forward-Looking Information*" and "*Risk Factors*", but not limited to these reasons, there are significant risks associated with the business of the Company. Readers are strongly encouraged to carefully read all the risk factors contained herein.

The following sections describe the legal and regulatory landscape in respect of the State of California, being the only jurisdiction in which the Company currently operates in the United States.

While the Company's compliance controls have been developed to mitigate the risk of any material violations of a license arising, there is no assurance that the Company's licenses will be renewed in the future in a timely manner. Any unexpected delays or costs associated with the licensing renewal process could impede the ongoing or planned operations of the Company and have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

There can be no assurance as to the position any U.S. presidential administration may take on marijuana and the Trump administration could decide to enforce the federal laws strongly. Any enforcement of current federal laws could cause significant financial damage to the Company and its shareholders. Further, future presidential administrations may want to treat marijuana differently and potentially enforce the federal laws more aggressively. See "*Risk Factors – The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined*" for further information regarding guidance made by federal authorities or prosecutors regarding the risk of federal enforcement action.

California State Level Review

In 1996, California was the first state to legalize medical marijuana through Proposition 215, the *Compassionate Use Act* ("**CUA**"). This legalized the use, possession and cultivation of medical marijuana by patients with a physician recommendation for treatment of cancer, anorexia, AIDS, chronic pain, spasticity, glaucoma, arthritis, migraine or any other illness for which marijuana provides relief. In 2003, Senate Bill 420 was signed into law establishing an optional identification card system for medical marijuana patients.

In September 2015, the California legislature passed three bills collectively known as *Medical Cannabis Regulation and Safety Act* ("**MCRSA**"). MCRSA established a general licensing and regulatory framework for medical marijuana businesses in California. The system created multiple license types for dispensaries, infused products manufacturers, cultivation facilities, testing laboratories, transportation companies, and distributors. Edible infused product manufacturers would require either volatile solvent or non-volatile solvent manufacturing licenses depending on their specific extraction methodology. Multiple agencies would oversee different aspects of the program and businesses would require a state license and local approval to operate. However, in November 2016, voters in California overwhelmingly passed Proposition 64, the *Adult Use of Marijuana Act* ("**AUMA**") creating an adult use marijuana program for adult use 21 years of age or older. AUMA had some conflicting provisions with MCRSA, so in June 2017, the California State Legislature passed Senate Bill No. 94, known as the *Medical and Adult-Use Cannabis Regulation and Safety Act* ("**MAUCRSA**"), which combined and expanded upon MCRSA and AUMA to provide a set of comprehensive regulations to govern medical and adult use licensing regime for cannabis businesses in the State of California. MAUCRSA went into effect on January 1, 2018. The California Bureau of Cannabis Control (the "**BCC**"), the California Department of Food and Agriculture (the "**CDFA**"), the California Department of Public Health – Manufactured Cannabis Safety Branch (the "**CDPH**"), and the California Department of Tax and Fee Administration all have some degree of regulatory responsibility for marijuana operations. MAUCRSA became effective on January 1, 2018.

From January 2018 through mid-2021, three (3) different state programs licensed and regulated cannabis businesses: the BCC, the CDFA, and the CDPH. In July 2021, the DCC was established by consolidating the three former state cannabis authorities, the BCC, the CDFA, and the CDPH. The DCC released consolidated regulations in September 2021 aimed at:

- creating a single point of contact for licensees, local governments and other stakeholders;
- simplifying and centralize licensing and regulatory oversight;
- supporting businesses to be successful and compliant with state law; and
- improving enforcement coordination.

In July 2019, California enacted A.B. 97. In relevant part, this bill authorizes licensing authorities to issue citations and fines to a licensee or an unlicensed person who violates MAUCRSA. The maximum fine is $5,000 per violation for licensees and $30,000 per violation for unlicensed persons. Each day of a violation constitutes a separate violation. A.B. 97 also repeals a prior requirement that an applicant for a provisional license first hold a temporary license. The bill also requires applicants for provisional licenses to submit evidence of compliance with the *California Environmental Quality Act* ("**CEQA**"), limits the validity of a provisional license to 12 months with subsequent renewals as approved by the relevant licensing authority, and allows licensing authorities to revoke provisional licenses for failing to diligently pursue final licensure. Finally, the bill requires the CDPH to establish a certification program for manufactured cannabis products comparable to the *National Organic Program and the California Organic Food and Farming Act*. In October 2019, California enacted A.B. 1529. This bill mandates that all cannabis vaping cartridges and cannabis vaporizers must include a universal symbol identifying the product as a vaping product.

In recent years, California has continued to pass legislation impacting the state's cannabis industry. California passed legislation to bring an end to DCC-issued provisional licenses; in particular, following January 1, 2025, the DCC will not renew provisional licenses, though there are exceptions for social equity licenses. In September 2022, Governor Newsom signed into law SB 1326, which creates a process for California to enter into agreements with other states to allow cannabis transactions with entities outside California—though the Company notes that this legislation is considered highly experimental and does not reduce risk with respect to the Company, as it is predicated on inter-state cannabis transactions being U.S. federally legal, and industry stakeholders tend to view the framework established by this bill as highly theoretical. SB 1186, also signed into state law, pre-empts local bans on medicinal cannabis delivery, expanding patients' access to legal, regulated cannabis products. Various additional bills were passed in 2022 regarding cannabis packaging, labeling, advertisement, and marketing, as well as an assembly bill attached as a trailer bill to the state budget that eliminated, beginning July 1, 2022, the cultivation tax from harvested cannabis entering the commercial market. In 2023 and 2024 California adopted cannabis-related legislation to protect job applicants from discrimination based on prior cannabis use, and effective 2025, legislation went into effect allowing licensed cannabis dispensaries to, provided local regulations allow, operate consumption lounges.

In order to legally operate a medical or adult use cannabis business in California, the operator must have both a local and state license. This requires license holders to operate in local jurisdictions with cannabis licensing programs. Therefore, local jurisdictions in California are allowed to determine the number of licenses they will issue to cannabis operators or can choose to outright ban licensed commercial cannabis activity. Local jurisdictions also are free to require additional permits, and impose ordinances, rules, and regulations that surpass state laws and regulations.

To the knowledge of management of the Company, there have not been any statements or guidance made by federal authorities or prosecutors regarding any changes to the risk of enforcement action specific to the State of California. For more information on federal enforcement and the risks associated with the U.S. cannabis regulatory environment generally, see, without limitation, "*Risk Factors – Risks Related to the Regulatory Environment – U.S. federal law and enforcement pertaining to cannabis and hemp" and "Risk Factors – Risks Related to the Regulatory Environment – Risks related to heightened scrutiny by regulatory authorities*".

California Licenses and Regulations

In California, State and most local medical and adult use cannabis business licenses are renewed annually. Each year, licensees are required to submit a renewal application per regulations and guidelines published by the DCC. While state-level renewals are annual, there currently is no limit to the number of renewals a licensee may obtain. Assuming requisite renewal fees are paid, renewal applications are submitted in a complete and timely manner, and the establishment has not been cited for material violations, renewal applicants can anticipate approval in the ordinary course of business. However, any unexpected denials, delays or costs associated with a licensing renewal could impede planned operations and may have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

With certain exceptions for social equity licenses, the DCC will cease renewing provisional licenses as of January 1, 2025.

Retail

The DCC is responsible for licensing and regulating cannabis retailers in California. Adult use retailer licenses permit the sale of cannabis and cannabis products to any individual age 21 years of age or older and customers at least 18 years of age who are in possession of a valid physician's recommendation. Thus, should a Company subsidiary be awarded an adult-use retailer license, it will be authorized to sell cannabis and cannabis products to adults 21 and over, and qualified medical consumers 18 and over subject to customer presentation of a valid government-issued photo ID. As with all state-legal marijuana programs, only cannabis grown in California by an appropriately-licensed cultivator, or microbusiness authorized to engage in cultivation, can be sold in California and retail licensees may only sell cannabis products procured from a duly licensed distributor or licensed microbusiness authorized to engage in distribution. All cannabis products are subject to regulatory laboratory testing, packaging, labeling, and tracking requirements. Upon receipt, licensed retailers must confirm cannabis products have not expired, are properly packaged and bear unique identification numbers which correspond with tracking and laboratory analysis documentation, among other requirements. Cannabis and cannabis products may only be displayed for inspection and sale on the sales floor of the facility, and may only be removed from packaging for customer inspection if properly contained and under the immediate control of licensee staff (who must remain with the customer throughout such inspection). Cannabis product displayed or inspected in this manner may not be sold or consumed and must be destroyed when no longer being used for inspection or display purposes. Retailers may only provide free cannabis products under certain, very limited circumstances and may not sell other goods, with the exception of cannabis accessories and branded merchandise. Cannabis retailers operate under a host of additional rules and restrictions under state law and regulations, in addition to any applicable local ordinances, regulations, and policies.

Medicinal retailer licenses permit the sale of medicinal cannabis and cannabis products for use pursuant to the CUA, found at Section 11362.5 of the Health and Safety Code, by a qualified medicinal cannabis patient in California who is at least 18 years of age who possesses a valid physician's recommendation. Only certified physicians may provide medicinal cannabis recommendations.

Distribution

The DCC is responsible for licensing and regulating cannabis distributors in California. Cannabis distribution licenses permit the licensee to transport cannabis goods between licensees, store cannabis products, package cannabis products, arrange for testing of cannabis goods, and conduct the quality assurance review of cannabis goods to ensure compliance with all packaging and labeling requirements. Licensed distributors may also package flower and roll and package pre-rolls on their licensed premises. A licensed cannabis distributor may only distribute cannabis goods, cannabis accessories and licensees' branded merchandise or promotional materials. Cannabis distributors operate under a host of additional rules and restrictions under state law and regulations, in addition to any applicable local ordinances, regulations, and policies.

Manufacturing

The DCC is responsible for licensing and regulating cannabis manufacturers and for establishing statewide standards for packaging and labeling of cannabis and cannabis products. A cannabis manufacturer is anyone who makes or packages a prepared cannabis product, including edibles, topicals, tinctures, extracts, vape cartridges, capsules and more. Cannabis manufacturers can also package flower and roll and package pre-rolls on their licensed premises. Manufacturing licenses are issued based on the type of manufacturing operations to be conducted on the licensed premises. License types include extraction (using volatile and nonvolatile solvents), infusion, packaging and labeling, and shared-use facilities. Cannabis manufacturers operate under a host of additional rules and restrictions under state law and regulations, in addition to any applicable local ordinances, regulations, and policies.

Cultivation

The DCC is responsible for licensing and regulating cannabis cultivators, nurseries and processors. The DCC is authorized to issue 22 different types of cannabis cultivation licenses, depending on the type of cultivation (outdoor, indoor, mixed-light) and the size (small, medium, large). The DCC also issues licenses to nurseries and processors. Cannabis cultivators operate under a host of additional rules and restrictions under state law and regulations, in addition to any applicable local ordinances, regulations, and policies.

Reporting Requirements

The DCC manages the California Cannabis Track-and-Trace system ("**CT&T**"), which tracks all commercial cannabis and cannabis products. The state of California has selected Franwell Inc.'s METRC solution ("**METRC**") as the CT&T system used to track commercial cannabis activity and movement along California's legal supply chain. While METRC is interoperable with other third-party systems via application programming interface, only licensees have access to METRC itself.

Operating Procedure Requirements

Licensing applicants must submit to the DCC and maintain certain standard operating procedures ("**SOPs**") describing how the operator will, among other requirements, secure the facility, manage inventory, comply with seed-to-sale requirements, dispense cannabis, and handle waste. Licensees must provide their employees with SOP training and, in certain instances, seek written approval from governing regulating bodies before materially changing their SOPs.

Site-Visits & Inspections

The DCC and its authorized representatives have broad authority, with or without notice, to inspect licensed cannabis operations, including premises, facilities, equipment, books and records (which may be copied, and such copies retained), and cannabis products. Failure to grant representatives from the DCC full and immediate access to facilities, property, and premises, and to cooperate with inspections and investigations may result in disciplinary action. Laws and regulations enacted by many local jurisdictions grant local cannabis governing bodies and law enforcement agencies similar and, in some cases, more comprehensive inspection authority.

Storage and Security

To ensure the safety and security of cannabis facilities and operations, the DCC requires licensees to implement certain storage and security measures, including without limitation to:

1. Maintain a fully operational security and alarm system;

2. Contract for security alarm services;

3. Maintain a video surveillance system that records continuously 24 hours a day;

4. Ensure adequate lighting is installed and maintained on and about licensed facilities;

5. Only transact business during authorized hours of operations;

6. Store cannabis and cannabis product only in areas identified for such purposes on drawings submitted to and approved by the State in connection with licensure;

7. Store all cannabis and cannabis products in a secured, locked room or a vault;

8. Report to DCC and local law enforcement within 24 hours after being notified or becoming aware of the theft, diversion, or loss of cannabis; and

9. To the extent applicable based on a licensee's authorized scope of operations, ensure the safe transport of cannabis and cannabis products between licensed facilities, maintain a transportation manifest in any vehicle transporting cannabis and cannabis products. Only vehicles that meet DCC distribution requirements, are to be used to transport cannabis and cannabis products for wholesale distribution.

In addition to DCC storage and security requirements, local jurisdictions may have additional storage and security requirements. Such requirements, to the extent they exist, may vary from one locality to another.

California Home Delivery Requirements

California law allows certain licensed retailers to deliver cannabis to adult customers at any private address within the state, including within those jurisdictions that have land use and zoning ordinances prohibiting the establishment of commercial cannabis businesses. In 2019, at least 25 local jurisdictions where cannabis sales are banned sued the state, seeking to overturn the rule allowing home deliveries statewide. On November 17, 2020, the court issued an order dismissing the suit (for lack of ripeness) and upholding the underlying DCC regulation allowing licensed cannabis delivery companies to offer services throughout the state. The court, however, affirmed that local jurisdictions can forbid such operations, though enforcement of any local ban remains with local governments. To the knowledge of management, there have been no significant enforcement efforts mounted by local governments.

The State of California requires the satisfaction of various regulatory compliance obligations in order to operate a cannabis delivery service. The cannabis license that permits the operation of a storefront dispensary in the State of California (also referred to as a retail license) currently permits that entity to also establish a delivery operation. If an entity does not wish to set up and operate a storefront dispensary location at which it can sell products to customers in person, California has established a separate license which allows for a retail delivery operation (also referred to as a non-storefront retail license). California regulations regarding the delivery of cannabis products include the following requirements:

1. All deliveries of cannabis goods must be performed by a delivery employee (at least 21 years of age) who is directly employed by a licensed retailer.

2. All deliveries of cannabis goods must be made in person.

3. Prior to providing cannabis goods to a delivery customer, a delivery employee must confirm the identity and age of the delivery customer (as is required if such customer was purchasing the product in the physical dispensary) and ensure that all cannabis goods sold comply with the regulatory requirements.

4. A licensed cannabis entity is permitted to contract with a third-party service that provides a technology platform to facilitate the sale and delivery of cannabis goods, in accordance with all of the following: (1) the licensed cannabis entity does not allow for delivery of cannabis goods by the technology platform service provider; (2) the licensed entity does not share in the profits of the sale of cannabis goods with the technology platform service provider, or otherwise provide for a percentage or portion of the cannabis goods sales to the technology platform service provider; (3) the licensed cannabis entity does not advertise or market cannabis goods in conjunction with the technology platform service provider, outside of the technology platform, and ensures that the technology platform service provider does not use the licensed cannabis entity's license number or legal business name on any advertisement or marketing that primarily promotes the services of the technology platform; and (4) provides various disclosures to customers about the source of the delivered cannabis goods.

5. Cannabis may only be delivered to a physical address but cannot be delivered to an address located on publicly owned land or an address on land or in a building leased by a public agency, and the delivery cannot be to a location outside of the state of California.

6. The delivery operations must satisfy any local jurisdiction requirements for the delivery of cannabis products.

7. A delivery employee is not permitted to carry cannabis goods in the delivery vehicle with a value in excess of $5,000 at any time.

8. The delivery vehicle and its use must satisfy certain regulatory requirements such as continuous and dedicated GPS, use of locked containment units for the cannabis products, and unmarked vehicles.

The Company is, to Company's knowledge, in all material respects in compliance with the laws of the State of California and the related cannabis licensing framework. To the Company's knowledge, there are no current incidences of non-compliance, citations or notices of violation which are outstanding which may have an impact on the Company's licenses, business activities or operations in the State of California. Notwithstanding the foregoing, like most businesses, the Company may from time to time experience incidences of non-compliance with applicable rules and regulations in the states in which the Company operates, including the State of California, and such non-compliance may have an impact on the Company's licenses, business activities or operations in the applicable state.

However, the Company, takes steps to minimize, disclose and remedy all incidences of non-compliance which may have an impact on the Company's licenses, business activities or operations in all states in which the Company operates, including the State of California. See "*Legal and Regulatory Framework – Compliance*".

Compliance with License Requirements

The Company currently has cannabis cultivation, manufacturing, distribution, retail, and delivery operations in the State of California and is, to Company's knowledge, in material compliance with applicable State licensing requirements and the California cannabis regulatory framework. The Company maintains the appropriate licenses for its California cultivation, manufacturing, distribution, retail and delivery operations, as applicable.

The licenses of the Company and its subsidiaries are independently issued for each approved activity for use at the Company's facilities in California. License renewal applications are submitted in accordance with, as applicable, the guidelines published by local cannabis regulators and the DCC. The Company has a strong track record of maintaining its licenses in good standing.

The Company has developed and implemented a comprehensive compliance program designed to achieve its strategic business goals. This compliance program integrates external regulations and requirements with internal procedures and rules to effectively outline the employee duties and standards of work. The Company has implemented policies and procedures to seek to ensure compliance with applicable laws and regulations.

In additions, the Company employs individuals dedicated to monitoring California law and local regulations for changes and update regularly. Further, the Company has contracts with external consultants, attorneys, and external advisors that regularly assist in the monitoring, notification, and interpretation of any changes.

The Company conducts quarterly internal audits to monitor compliance with regulations and to identify the areas for improvement. In addition, the Company has received and continues to receive legal input regarding (a) compliance with applicable State regulatory frameworks and (b) potential exposure and implications arising from U.S. federal law in certain respects. The Company receives such input on an ongoing basis but does not have a formal legal opinion on such matters.

Cultivation Operations Compliance

The Company's onsite operations maintain compliance by merging compliant operations into day-to-day activity. Onsite staff is trained on compliance matters and is required to operate in accordance with SOPs that have merged compliance functions with daily operational activity necessary to propagate, cultivate, harvest, and cure cannabis.

Onsite staff are required to understand and adhere to compliance requirements related to cultivation. Cultivation operations include the below-referenced departments, each of which has a manager or supervisor responsible for maintaining regulatory compliance, updating the SOPs, confirming with compliance department managers any changes to operations or the premises, and reporting, both within their chain of command but also, in many cases, into systems or reporting chains in compliance and finance.

The departments that have material compliance obligations with respect to the Company cultivation operations include:

- propagation;
- integrated pest management;
- general cultivation;
- track and trace;
- inventory control;
- facilities; and
- operations.

Facilities, in conjunction with compliance staff, designate and maintain premises diagram information, including lighting plans and implementation, and canopy areas. Canopy areas are marked using easily identifiable ribbon lines and attaching the relevant licenses to such contiguous canopy spaces. General cultivation staff are aware of the canopy limitations and are required to ensure that all cultivation is kept within canopy boundaries.

The track and trace team is led by a Track and Trace Manager that ensures strict compliance with CT&T and includes four (4) additional staff who manage compliance with respect to track and trace operations, including requesting unique identifiers ("**UIDs**"), tagging immature plant lots, upon moving immature plants to mature plant growth area tagging such plants with new UIDs, assisting in harvesting measurement and data input in conjunction with various cultivation team members.

The track and trace team members have each completed training to enter the cultivation licenses daily track and trace activities in the METRC system. The Track and Trace Manager oversees all data entry to seek to ensure accuracy and perform corrections within 24 hours of identified data entries. The Track and Trace Manager is also responsible for general track and trace compliance reconciliation, record storage, cross-functional reporting, and notifying the DCC in the event of any outage that keeps the account offline and is required to maintain a record of track and trace activities which occurred while offline.

The propagation team is responsible for initiating a transfer from nursery licensed areas to mature plant licensed areas. The propagation issues an external transfer sheet containing the UIDs and quantities of plant batches and licensed destination to the track and trace team. Upon receiving a transfer sheet, the track and trace team enters the information into the METRC system, producing a manifest to initiate the movement of plants from the nursery to the Small Mixed Tier 1 licensed areas.

The processing team led by the Processing Manager is responsible for oversight of the harvesting and processing of all cannabis batches. This includes working with the track and trace team to in providing the required harvest information, including, for each plant and UID, the wet weight and waste weight (such waste is required to be processed in accordance with the applicable guidelines).

The track and trace team works with Inventory Managers to maintain accurate inventory records and update weights after drying and curing processes. A certified scale is used to weigh the total dry weight of a harvested batch as soon as the drying phase is completed, typically after approximately 10 days from harvest. This total dry weight is recorded prior to any processing activity. The total dry weight is then reconciled upon completion of processing the harvest batch by comparing final product and waste weights.

In addition to the general cultivation operations, track and trace teams are responsible, along with inventory team members, for issuing manifests for nursery transfers onsite, transfer of cannabis offsite, and any other inbound or outbound cannabis goods processing as well as general inventory management and information collection at the required times and processes. In order to seek to ensure accuracy, a cycle count schedule is in place at each cultivation facility to accomplish a 30-day reconciliation of all cannabis plant and processed inventory.

Senior Cultivation Managers are responsible for drafting and updating an integrated master plan ("**IPM**") in conjunction with compliance staff. The IPM plan includes any county-imposed limitations, legal limitations, and label guidelines for application. In addition, the Company imposes its own strict guidelines on the use of active ingredient products and categorically excludes certain product classes.

The Company did not grow any cannabis at The Pottery in 2024. The indoor grow is permitted to operate with a Specialty Indoor license. This license is regulated by a maximum of 5,000 sq. ft. of canopy space which suits the premises as the physical design as constructed is just under 5,000 square feet.

Additional regulatory requirements for this license type, such as weighmaster licenses and local permits, are maintained by The Pottery's operation and compliance teams.

Required record retention for cultivation licenses is generally as follows:

- *Financial records*: The cultivation managers send copies of all receipts & invoices (cash & card) to the Company's accounting team. These records are maintained in the Company's electronic filing system and can be produced upon request for audit and inspection purposes. Onsite copies are kept in a filing system at The Pottery cultivation by Cultivation Managers.

- *Personnel records*: The Company's human resources department keeps all employee files stored both electronically and hard copy records in the Company's office.

- *Disposal records*: Disposal records are maintained electronically.

The compliance department is generally responsible for maintaining licenses in good standing, including ancillary cultivation licenses such as weighmasters licenses, State Water Resources Control Board licenses and disclosures, and maintaining information on the Company's ability to meet license obligations. The responsibility includes maintaining accurate state level licenses and amending and updating such licenses and related license information, such as the premises diagrams, when required.

The Company's compliance and licensing team is responsible for audits of onsite activities, implementing reporting guidelines, and acting as a resource to onsite team members. The compliance team calendars license renewals and other regulatory deadlines and submits, or approves the submission through contractors, of all documents to cannabis regulators. The compliance/licensing manager is responsible for preparing and submitting license renewals prior to expiration of both cannabis and other regulatory licenses, for example, State Water Resources Control Board licenses and waivers, weighmasters certificates and local use permits.

The Company has a robust financial reporting and compliance system in place. Financial reporting is reconciled against METRC reporting for maintenance of accuracy and prevention of loss. The cultivation business units are led by a Cultivation Controller who reports to the Corporate Controller who in turn reports to the Company's Chief Financial Officer. In conjunction with operations staff, the finance team provides for the payment of local cannabis taxes, California cultivation and excise taxes and the tracking of outbound and inbound products transfers.

The finance team is also responsible for maintaining records relating to financial interest holders, tax payments, contracts and transaction records which are produced as needed for regulatory review.

Manufacturing Operations Compliance

Under applicable State regulatory requirements, licensed cannabis manufacturers are required to establish a security plan to include measures preventing access to the premises by unauthorized persons and to protect physical safety of employees and to install a security alarm system designed to prevent theft or loss.

The Company seeks to comply with such security requirements through the following policies and procedures:

Security and Security Plans

Security management: The Director of Security, in coordination with managers and security advisors, is responsible for the development, upkeep, and adherence to a security plan.

Security training: All employees receive adequate security training which includes (i) the proper use of security measures and controls for the prevention of diversion, theft, or loss of cannabis or cannabis products, (ii) procedures and instructions for responding to an emergency, and (iii) education of department managers, who are responsible for the ongoing security training in daily operations. Employees are required to report any suspicious activity or security concerns to their supervisor immediately or security officer on duty immediately.

Personnel security: Each person working is supplied with a unique identification code to document entry and egress. This is accomplished with the use of a credentialed fob device that is controlled by the Director of Security. Security codes and fobs are kept secure and inaccessible to any unauthorized person. The Human Resources Manager maintains personnel records (separate from payroll records) to be kept for seven (7) years for each employee. The Human Resources Manager is assigned responsibility for personnel policy and procedure documentation, maintenance, implementation, and training.

Security access: Each person employed is supplied with a unique identification code contained in a credentialed fob device for access. Visitors, including outside vendors and consultants, must obtain a visitor identification badge prior to entering an enclosed locked area and will be escorted and monitored by a Manufacturing Manager.

Theft or diversion: Any incident involving theft, diversion or any other criminal activity pertaining to the operations of the licensee will be reported to the DCC and local law enforcement within 24 hours. Local regulations may impose additional or more severe notice requirements related to theft, diversion, or any other criminal activity pertaining to the operations of the licensee.

Facility security: Consists of four (4) primary systems: (i) contracted physical security, including 24 hour onsite armed security; (ii) CCTV 24-7 recording; (iii) manual code access doors equipped with ID card readers; and (iv) intrusion alarms.

Quality Control Program

Each cannabis manufacturing licensee is responsible for implementing a quality control program to ensure that cannabis products are not adulterated or misbranded. The quality control program includes quality control operations for all of the following:

- *The grounds, building, and manufacturing premises*: This is accomplished by the Company's Manufacturing Facilities Manager and staff following internal SOPs to maintain the manufacturing premises so that they remain in a clean condition, free from any contamination or potential disturbance to the quality and safety of products on site.

- *Equipment and utensils*: The Company's manufacturing team has established procedures for validating that all equipment and machinery is in compliance with design specifications, including built as designed with proper materials, capacity, and functions, in addition to properly connected and calibrated. The Equipment Production Supervisor oversees that team performs a visual inspection, looks for any contaminants, foreign objects, or quality issues with the equipment, supplies, raw materials or the facility. If a quality control issue is discovered when performing a visual inspection, staff must immediately notify the Manager on duty so that batch is remediated before further processing. The manufacturing team establish that operating ranges are shown to be capable of being held as long as necessary during routine productions and have a schedule for routine re-verification of all equipment and machinery.

- *Personnel*: The Company's manufacturing team seeks to ensure that all cannabis and cannabis products are processed, manufactured, packaged, labeled, handled, and stored in a safe and sanitary manner and seeks to ensure that the identity, strength, quality, and purity of cannabis and cannabis products are maintained. All employees working in direct contact with cannabis must conform to hygienic practices.

- *Cannabis product components*: All production materials, packaging components, labeling, and other supplies must be physically inspected and stored under quarantine until they are sampled, if necessary, and released for use. All containers are inspected for appropriate labeling as to contents, container damage, or broken seals and contamination.

- *Shipment inspection*: Shipments unloaded from carriers are inspected for physical damage. If there is slight or moderate physical damage, the material will be more closely inspected. If any consequential damage is found, the material in question will not be permitted into the facility and the Inventory Manager will be immediately notified. The Inventory Manager and/or a Quality Assurance Specialist will make the decision to either accept or return the material. Any damaged material, which cannot be left on the truck, will be brought to the quarantine area and clearly marked as "DAMAGED" or "REJECTED".

Manufacturing Processes and Procedures

The Company's manufacturing operations have organized their processes and procedures by outlining each process that occurs in designated areas in the following order:

- *Pre-processing/preparation area*: This area is used for preparing the raw plant material. Mechanical homogenizers are used to grind the material to a uniform size. Large, super-low temperature freezers are used for storage. After preparation, material is brought to the extraction room.

- *Extraction room*: Non-volatile or volatile extraction is completed in the designated "extraction room" by an original equipment manufacturing-trained and certified technician. After the initial extraction is completed, the product can move into the designated area for post-production and refinement.

- *Post-processing/refinement lab*: This room houses solvent reclamation equipment, hazardous/flammable material storage, vacuum ovens, vacuum pumps, small benchtop chillers, water heaters, heating mantels, distillation apparati, etc. The area meets U.S. National Fire Protection Association criteria for class 1B flammable liquids and vapors. All product completed in this section of the facility is deemed safe for handling by the QA Specialist before entering the packaging area. When products reach the end of their refinement cycle and pass quality control sampling/testing, they are be moved to the designated finished product area.

- *Commercial food processing/"kitchen"*: The area referred to as the food processing facility or "kitchen" is utilized to infuse active cannabis ingredients into consumable goods. All employees working in this area have sufficient training in Hazard Analysis Critical Control Point training and are "Serv Safe" certified. All food products are stored according to their perishability in a clean and efficacious work environment for the purpose of food processing.

- *Packaging/labeling area*: Finished products are moved to this area, and products still in need of formulation go to the "formulation and filling room," where the various derivative products are volumetrically packaged and labeled by way of automated or manual robotic filling machines, then returned to this area. All product prior to being packaged and labeled undergoes a quality assessment to seek to ensure product is free of debris. An enhanced visual inspection and an olfaction inspection may be performed at this time. A log is compiled by every employee delineating employee number, product batch code, date and net batch weight. When a product has been counted and logged, the items are moved to the "secured product storage vault" and locked until further distribution.

- *Formulation and filling room*: This area is considered a clean room to create "nutraceutical style" products and can be used as a clean area for future work. Products to be volumetrically filled and formulated primarily consist of vape devices and topical products and tinctures.

- *Secured product storage vault*: This area is the most secure space in the facility, surrounded by a U.S. Drug Enforcement Agency-style "cage" comprised of anchored rod iron and Kevlar/steel inserts within the drywall. This area is tightly climate-controlled to seek to ensure hazard controls for any consumable products that are at risk for food-borne bacteria.

- *Testing*: All cannabis received is tested for contaminants and cannabinoid and terpenoid profile, though testing of cannabis that will undergo further processing before sale is not required by State law or regulation. In lieu of initiated testing with an independent testing laboratory, a lot specific report or Certificate of Analysis may be accepted from the supplier of the cannabis provided the results are reported by an independent testing laboratory that is licensed by the State of California. The Quality Assurance department establishes the reliability of the supplier's analyses through confirmation of the supplier's test results at appropriate intervals.

Inventory Control

The Company has a written inventory control plan capable of tracking the location and disposition of all cannabis and cannabis products at its licensed premises. The Director of Inventory Management and Control follows the internal Inventory Tracking SOP and oversees that the inventory team reports all tracking of inventory items accurately.

In addition, the Company reconciles the on-hand inventory of cannabis and cannabis products at its licensed premises with the records in the track-and-trace database at least once every 30 calendar days. The Director of Inventory Management and Control and team produce a 30-day inventory reconciliation for all inventory in the track and trace system. This is overseen by the Operations Coordinator who reports to the Plant Manager.

Retail and Distribution

Each of the Company's retail locations is managed by an Operations Manager who is responsible for maintaining compliant operations. CT&T obligations are handled by the inventory and compliance team whose duties include receiving inbound cannabis products, checking the products against the manifest, accepting or rejecting products and updating the track and trace database when accepted, destruction of product, processing returns, compliance training and inventory reconciliation. At the time of delivery, the receiving employee is charged with examining the product packaging to seek to ensure that it meets packaging and labeling requirements.

The track and trace system, METRC, is only one of multiple data sets used to manage, track, reconcile, and reduce loss of inventory. The Company also enters all inventory into its general inventory management system, by porting METRC tags through the Company's enterprise resource planning software. Each dispensary has its own assigned tags. METRC manifests, tags, certificates of analysis, inventory reconciliations, and invoices are kept for records retention. Manifests are required to be kept for seven (7) years.

The inventory and compliance team reviews and fully assesses all on-hand inventory every 30 days and cross-references to the general inventory database.

Safety and security measures are an integral part of each floorplan. Licensed premises are designed to control customer flow and prohibit unauthorized entry to limited-access areas. Limited-access areas include spaces utilized to secure, store, transfer, or receive cash, salable goods, records and surveillance equipment (excluding the sales floor). These areas are accessible only to authorized individuals; authorization is granted by necessity of job function. Additionally:

- no one under age 21 may enter a limited-access area;
- only authorized individuals are permitted entry to a limited-access area, which may include:
  - employees;
  - outside vendors;
  - contractors; or
  - anyone doing business that requires access to the limited-access area;
- authorized individuals who are not employees must:
  - be accompanied by an employee at all time;
  - have their visits recorded in a log (including date, time, name, purpose of visit, areas visited, employee escort name; logs are retained in compliance with State record keeping requirements and available to licensing agencies and authorities upon request); and
- only employees and contractors are permitted on site outside of retail store hours.

Employees are required to display a laminated identification badge. Visitors are provided a visitor's badge. To enter each retail licensed area, a customer is required to present a valid government issued photo ID.

Each Company retail licensee location has specific access controls related to both inventory and cash management. Cash is secured in specialized vaults as a safety measure against robbery and is regularly deposited.

When transporting cash, each Company retail store is required to comply with all DCC regulations, security protocols and internal best business practices defined by the retail finance team in all transportation of cash. Armored car transportation is the preferred method of transportation. This service in combination with retail security protocols are designed to safeguard all transportation of cash to and from the specific site.

There are several specific controls related to general retail merchandising that include limits on customer interactions with samples, product display, and purchasing requirements. Store merchandising is directed and approved by the VP of Retail and implemented by store management and designees. Changes to merchandising are reviewed for compliance, and, where appropriate, proposed changes are evaluated by the corporate compliance managers.

To place an online order for cannabis products, a customer is required to upload a valid California identification and a self-photo, both of which are electronically verified by retail employees. No online sales or home deliveries are made to individuals outside the State of California. On delivery, the Company's delivery employee electronically scans the customer's identification and utilizes mobile technology to process electronic payments and to upload data into the Company's inventory management system.

Delivery operations must be conducted by an employee over the age of 21. A copy of the licensee's license, the driver's government identification, and the employee badge are required to be carried by the driver. At the time of delivery, the driver must confirm the age and identify of the customer in accordance with general retail customer data collection procedures.

Certain restrictions on where delivery is allowed to occur include the requirement that it be to a physical address within California, cannot be to a school, youth center, or childcare center, and cannot be delivered to any public or United States land.

Retail delivery may only be accomplished by using an enclosed motor vehicle, equipped with a GPS device capable of tracking and recording all vehicle movement and maintaining 90 days of travel data. Only employees are permitted in the vehicle during delivery operations. Delivery vehicles may not have markings that indicate cannabis may be contained within. The total value of goods carried cannot exceed $10,000 at any time, or more than $5,000 in goods that do not have associated pre-orders.

Cannabis goods are kept in a lockable case (either combination or lock) that is secured to the inside of the vehicle.

Distributor obligations include separation of non-cannabis goods storage from cannabis goods, a requirement to store by batches of similar products and not store mixed product batches together. Batch labeling of products must occur and include, manufacturer or processor license number and information, date of entry into storage, UID for each batch, a description of the goods and the unit weight or batch weight and count (as accomplished by licensed weighing devices and personnel), and the best by or any expiration dates.

Batch testing is accomplished by state licensed laboratories who take samples while products are held. Testing operations, including those accomplished while the goods are held, are highly regulated. A Company employee must be present when sampling occurs. The sampling process must be on video with the batch number identified on video and the recording maintained for 90 days. Chain of custody records for anyone possessing and moving the sample are required.

All cannabis goods transported by distribution require a manifest in the CT&T system prior to shipment, the information required includes testing and sampling data, sale of goods, description of goods and weight and count of goods. Prior to shipment, the manifest must be submitted to the purchaser or transferee and the DCC. The receiving licensee is required to check the manifest and reject any non-conforming goods or goods not on the manifest.

While the Company is compliant with State and local cannabis laws, its cannabis-related activities remain illegal under United States federal law. See "*Risk Factors*".

Non-Compliance with State and Local Cannabis Laws

From time to time, as with all businesses and all rules, it is anticipated that the Company may experience incidences of non-compliance with applicable rules and regulations, which may include minor matters such as:

- staying open slightly too late due to an excess of customers at stated closing time;
- minor inventory discrepancies with regulatory reporting software;
- missing fields in regulatory reports;
- cleaning schedules not available on display;
- educational materials and/or interpreter services not available in a sufficient number of languages;
- updated staffing plan not immediately available on site;
- improper illumination of external signage;
- cannabis infused product utensils improperly stored;
- labels out of compliance with current regulatory guidelines;
- out-of-date or non-compliant documents in the license record which must be updated or further developed;
- insufficient disclosures made on the Company's good-faith interpretation of the applicable rules and regulations;
- delayed or remedial measures to report or correct reporting related to regulatory "Owners" or "Financial interest holders" of the Company;

- partial obstruction of camera views; and
- onsite surveillance room used for any other function (i.e., storage).

In addition, either on an inspection basis or in response to complaints, such as from neighbors, customers or former employees, State or local regulators may among other things issue "**show cause**" or "**Notice to Comply**" letters, give warnings to or cite the Company for violations, including those listed above. Such regulatory actions could lead to the requirement to remedy the situation, usually within a specified timeframe, or, in more serious cases, lead to penalties and/or amendments, suspensions or revocations of licenses or otherwise have an impact on the Company's licenses, business activities or operations.

The Company conducts and intends to continue to conduct internal audits with respect to compliance with applicable State and local cannabis rules and regulations.

The Company intends to promptly remedy any known occurrences of non-compliance with applicable State and local cannabis rules and regulations, and the Company intends to publicly disclose any non-compliance, citations or notices of violation which may have an impact on its licenses, business activities or operations.

Ability to Access Public and Private Capital

The Company has historically, and will continue to have, access to equity financing from the public capital markets by virtue of its status as a reporting issuer in each of the provinces and territories of Canada other than Québec.

The Company has historically, and continues to have, access to equity and debt financing from the prospectus exempt (private placement) markets in the U.S. The Company also has relationships with sources of private capital (such as funds, family offices and high net worth individuals) that could be investigated at a higher cost of capital.

The Company currently has access to equity financing through the private markets in the U.S. In addition, the Company has accessed the U.S. credit markets through a credit facility for up to $100 million through the Original Loan Agreement, which is now fully paid off (see "*General Development of the Business – Financing Transactions – Original Term Loan*") and is currently party to the Senior Secured Credit Facility providing up to $50 million (see "*General Development of the Business – Recent Developments Since December 31, 2024 – Senior Secured Credit Facility*") . However, there can be no assurance the Company will continue to access these financing options in the future.

Commercial banks, private equity firms and venture capital firms have approached the cannabis industry cautiously to date. However, there are increasing numbers of high net worth individuals and family offices that have made meaningful investments in cannabis-focused companies and businesses similar to that of the Company. Although there has been an increase in the amount of private financing available over the last several years, there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable to the Company. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability. See "*Risk Factors – The Company may be subject to restricted access to banking services in the United States and Canada*".

RISK FACTORS

There are a number of risk factors that could cause future results to differ materially from those described herein. The following are certain factors relating to the Company and its business that may have a material adverse effect on the Company's business, financial condition, results of operations and prospects, or the trading price of the Equity Shares. These risks and uncertainties are not the only ones facing the Company. Additional risks and uncertainties not presently known to the Company or currently deemed immaterial by the Company may also impair the operations of the Company. If any such risks actually occur, security holders of the Company could lose all or part of their investment and the business, financial condition, liquidity, cash flows, results of operations and prospects of the Company could be materially adversely affected and the ability of the Company to implement its growth plans could be adversely affected.

Risks Related to Legality of Cannabis

While legal under applicable U.S. State law, the Company's business activities are illegal under U.S. federal law.

Investors are cautioned that in the United States, cannabis is largely regulated at the State level, and in California, at both the State and local levels. To the Company's knowledge, as of the date hereof the medical use of cannabis has been legalized in 38 states and the District of Columbia. The recreational or adult-use of cannabis has been approved in DC and 24 states. Another 10 states have decriminalized its use. Additional states have pending legislation regarding the same. Although California authorizes medical and/or adult-use cannabis production and distribution by licensed or registered entities, and numerous other states have legalized cannabis in some form, under U.S. federal law, the possession, use, cultivation, and transfer of cannabis and any related drug paraphernalia is illegal, and any such acts are criminal acts under federal law under any and all circumstances under the CSA. The concepts of "medical cannabis", "retail cannabis" and "adult-use cannabis" do not exist under U.S. federal law. Marijuana is a Schedule I drug under the CSA. Under U.S. federal law, a Schedule I drug or substance has a high potential for abuse, no accepted medical use in the U.S., and a lack of safety for the use of the drug under medical supervision. Although the Company believes that the business of the Company is and will be materially compliant with applicable U.S. State and local law, even strict compliance with State and local laws with respect to cannabis does not necessarily 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. Any such proceedings brought against the Company may result in a material adverse effect on the Company.

Since the possession and use of cannabis and any related drug paraphernalia is illegal under U.S. federal law, the Company may be deemed to be aiding and abetting illegal activities. The Company cultivates, manufactures and distributes medical and adult-use cannabis and cannabis products. 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 the Company, including, but not limited to, a claim regarding the possession, use and sale of cannabis, and/or aiding and abetting another's criminal activities, and/or claims related to money laundering or tax evasion. The U.S. federal aiding and abetting statute provides that anyone who "commits an offense or aids, abets, counsels, commands, induces or procures its commission, is punishable as a principal." As a result, the U.S. DOJ, under the current presidential administration, could allege that the Company has "aided and abetted" violations of federal law by providing financing and services to the Company. Under these circumstances, the federal prosecutor could seek to seize the assets of the Company, and to recover the "illicit profits" previously distributed to shareholders resulting from any of the foregoing. In these circumstances, the Company's operations would cease, shareholders may lose their entire investment and directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison. Such an action would result in a material adverse effect on the Company.

U.S. Customs and Border Protection ("**CBP**") enforces the laws of the United States. Crossing the border while in violation of the CSA and other related federal laws may result in denied admission, seizures, fines and apprehension. CBP officers administer the *Immigration and Nationality Act* to determine the admissibility of travelers, who are non-U.S. citizens, into the United States. An investment in the Company by a nonresident alien or nonpermanent resident, if it became known to CBP, could have an impact on a shareholder's admissibility into the United States and could lead to a lifetime ban on admission. See "*Risk Factors – U.S. border officials could deny entry of non-U.S. citizens into the U.S. to employees of or investors in companies with cannabis operations in the United States and Canada*".

The Company derives 100% of its revenues from the cannabis industry in the State of California which industry is currently illegal under U.S. federal law. Even where the Company's cannabis-related activities are compliant with applicable State and local law, such activities remain illegal under U.S. federal law. The enforcement of relevant laws is a significant risk. The Company is at risk of being prosecuted under U.S. federal law and having its assets seized.

Historically, medical cannabis has been protected against federal enforcement by enacted legislation from the United States Congress in the form of what is commonly called the "**Rohrabacher-Farr Amendment**", which prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state-level, subject to the United States Congress restoring such funding. Notably, this amendment has always applied to only medical cannabis programs and has no effect on pursuit of recreational cannabis activities. The amendment has historically been passed as an amendment to omnibus appropriations bills, which by their nature expire at the end of a fiscal year or other defined term. The Rohrabacher-Farr Amendment is effective through September 30, 2025.

In July 2020, the House of Representatives passed the "Blumenauer-McClintock-Norton-Lee amendment" to the Commerce, Justice, Science (CJS) Appropriations bill. That amendment proposed continuing the Rohrabacher-Farr Amendment's protections for state medical cannabis programs and extend those protections to include recreational programs in states where recreational cannabis is legal. The amendment was not included in the final spending bill, so at this time the protections afforded by the Rohrabacher-Farr Amendment apply only to medical cannabis programs.

Should Congress fail to include Rohrabacher-Farr Amendment language in the next appropriations package, there can be no assurance that once the current Amendment expires on September 30, 2025, the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with State law. Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company, even if such proceedings were concluded successfully in favor of the Company. The Company's activities and operations in the United States are, and will continue to be, subject to evolving regulation by governmental authorities. The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

The current President Trump administration (the "**Trump Administration**") has made statements indicating that the Trump Administration intends to take a more aggressive approach to enforcement of existing federal marijuana laws and regulations. Any changes in the federal government's enforcement of current federal laws and regulations could adversely affect our ability to possess or cultivate marijuana. Marijuana is a Schedule I controlled substance under the CSA meaning that it has a high potential for abuse, has not currently "accepted medical use" in the United States, lacks accepted safety for use under medical supervision, and may not be prescribed, marketed or sold in the United States. No drug product containing natural cannabis or naturally-derived cannabis extracts have been approved by the U.S. Food and Drug Administration (the "**FDA**") for use in the U.S. or obtained registration from the U.S. Drug Enforcement Administration (the "**DEA**") for commercial production and the DEA may never issue the registrations required of the commercialization of such products. We will continue to assess potential strategic acquisitions of existing or new businesses in the cannabis industry, should we determine that such activities are in our best interests and the best interests of our stockholders. Any such pursuit would involve additional risks with respect to the regulation of cannabis, particularly, if the federal government determines to actively enforce all federal laws applicable to cannabis.

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, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on the Company, including its reputation and ability to conduct business, its holding (directly or indirectly) of medical and adult-use cannabis licenses in the United States, its financial position, operating results, profitability or liquidity or the market price of its publicly-traded shares. In addition, it will be difficult for the Company to estimate the time or resources that would be needed for the investigation of any such matters or its final resolution because, in part, the time and resources that may be needed are dependent on the nature and extent of any information requested by the applicable authorities involved, and such time or resources could be substantial.

The approach to the enforcement of cannabis laws may be subject to change or may not proceed as previously outlined.

As a result of the conflict between state and federal law regarding cannabis, investments in cannabis businesses in the U.S. are subject to inconsistent legislation and regulation. The response to this inconsistency was addressed when then Deputy Attorney General, James Cole, authored a memorandum (the "**Cole Memorandum**") addressed to all United States district attorneys acknowledging that notwithstanding the designation of cannabis as a controlled substance at the federal level in the United States, several states have enacted laws relating to cannabis for medical purposes.

The Cole Memorandum outlined certain priorities for the U.S. DOJ relating to the prosecution of cannabis offenses. In particular, the Cole Memorandum noted that in jurisdictions that have enacted laws legalizing cannabis in some form and that have also implemented strong and effective regulatory and enforcement systems to control the cultivation, distribution, sale and possession of cannabis, conduct in compliance with those laws and regulations is less likely to be a priority at the federal level. Notably, however, the U.S. DOJ has never provided specific guidelines for what regulatory and enforcement systems it deems sufficient under the Cole Memorandum standard.

In light of limited investigative and prosecutorial resources, the Cole Memorandum concluded that the U.S. DOJ should be focused on addressing only the most significant threats related to cannabis. States where medical cannabis had been legalized were not characterized as a high priority. In March 2017, then newly appointed Attorney General Jeff Sessions again noted limited federal resources and acknowledged that much of the Cole Memorandum had merit; however, he had previously stated that he did not believe it had been implemented effectively and, on January 4, 2018, former Attorney General Jeff Sessions issued a memorandum (the "**Sessions Memorandum**"), which rescinded the Cole Memorandum. The Sessions Memorandum rescinded previous nationwide guidance specific to the prosecutorial authority of United States Attorneys relative to cannabis enforcement on the basis that they are unnecessary, given the well-established principles governing federal prosecution that are already in place. Those principles are included in chapter 9.27.000 of the United States Attorneys' Manual and require federal prosecutors deciding which cases to prosecute to weigh all relevant considerations, including federal law enforcement priorities set by the Attorney General, the seriousness of the crime, the deterrent effect of criminal prosecution, and the cumulative impact of particular crimes on the community.

As a result of the Sessions Memorandum, federal prosecutors are now free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions. No direction was given to federal prosecutors in the Sessions Memorandum as to the priority they should ascribe to such cannabis activities, and resultantly it is uncertain how active U.S. federal prosecutors will be in relation to such activities.

As discussed above, should the Rohrabacher-Farr Amendment not be renewed, there can be no assurance that the federal government will not seek to prosecute cases involving medical cannabis businesses that are otherwise compliant with State law.

On November 7, 2018, Mr. Sessions tendered his resignation as Attorney General at the request of President Donald Trump. Following Mr. Sessions' resignation, Matthew Whitaker began serving as Acting United States Attorney General, and William Barr was eventually appointed to the role. During his Senate confirmation hearing, Mr. Barr stated that he disagrees with efforts by states to legalize marijuana but would not go after cannabis companies in states that legalized it under Obama administration policies. He stated further that he would not upset settled expectations that have arisen as a result of the Cole Memorandum. Federal enforcement of cannabis-related activity remained consistent with the priorities outlined in the Cole Memorandum throughout Attorney General Barr's tenure.

In January 2021, Joseph R. Biden Jr. was sworn in as the new President of the United States. President Biden nominated federal judge Merrick Garland to serve as his Attorney General. During his confirmation hearings in the Senate on February 22, 2021, Attorney General nominee Garland confirmed that he would not prioritize pursuing cannabis prosecutions in states that have legalized and that are regulating the use of cannabis, both for medical and adult use. The Senate confirmed Judge Garland as Attorney General on March 10, 2021.

On October 6, 2022, President Biden announced a series of marijuana-related initiatives. Included amongst them was a directive to the Secretary of Health and Human Services and the Attorney General "to initiate the administrative process to review expeditiously how marijuana is scheduled under federal law. Federal law currently classifies marijuana in Schedule I of the CSA, the classification meant for the most dangerous substances." This administrative review would be conducted by the FDA and the DEA. This review could result in efforts to remove cannabis from Schedule I of the CSA, and such efforts are formally underway as of the date of this MD&A. On August 30, 2023, the Department of Health and Human Services published its recommendation that marijuana should be moved to Schedule III. In April 2024, the DEA presented a proposed change rescheduling cannabis to Schedule III and opened a public comment period. That public comment period ended on July 22, 2024. The vast majority of the thousands of comments received were in favor of rescheduling. In response, two leading congressional Republicans, Rep. Cathy McMorris Rogers, who chairs the House Energy and Commerce Committee, and Rep. Brett Guthrie, who chairs the Subcommittee on Health, wrote a letter to the DOJ and the Department of Health and Human Services questioning the rescheduling process as constituting "unusual circumstances" and suggesting the DEA has doubts about rescheduling. The lawmakers pointed out that the proposed rule itself states that the "DEA has not yet made a determination as to its views of the appropriate schedule for marijuana." The DEA had noticed its intention to convene a hearing on December 2, 2024 on the notice of proposed rulemaking. The DEA postponed the hearing to January 21, 2025, but the hearing was eventually canceled by the Chief Administrative Law Judge for the DEA (an internal administrative tribunal of the DEA) due to procedural issues and pending appeals and legal actions. The efforts to reschedule cannabis remain in a state of suspension and the current administration, under President Donald Trump.

On January 20, 2025, President Donald J. Trump was sworn in as the 47th President of the United States. President Trump has publicly stated that his administration would support reclassification of cannabis as a Schedule III controlled substance under the CSA and would not stop or reverse a Schedule III determination by the DEA. However, many factors will influence the rescheduling of marijuana, including, but not limited to, key appointments including the Attorney General and DEA Administrator, as well as rescheduling administrative proceedings and any related litigation.

At present, barring an act of Congress, the DEA has the final say in whether to change marijuana's scheduling and is not bound to abide by the recommendations of the Department of Health and Human Services. Additionally, changing marijuana's scheduling under the CSA is not equivalent to decriminalizing cannabis use, and would serve to alter, but not eliminate, federal regulation of marijuana. Altering the scheduling would mean the federal government acknowledges some medical uses of marijuana, but would not change its current status as a controlled substance prohibited for most uses under federal law; indeed, placing cannabis on a different schedule, such as Schedule III as contemplated, would have the effect of imposing a separate federal program of rules and regulations on commercial cannabis activity largely incongruent with the programs permitted under applicable state, local and territorial laws currently in effect, and the prevailing business environment of the regulated cannabis marketplace in the U.S.

If the DEA does not act to alter the scheduling of marijuana, Congress could take legislative action to remove marijuana from Schedule I, either choosing to move it to another schedule, create a new schedule or classification for marijuana under the CSA, or remove marijuana as a controlled substance altogether.

If cannabis is reclassified as a Schedule II or lower controlled substance, the resulting re-classification would result in the need for approval by the FDA and the DEA. As a result of such a reclassification, the manufacture, importation, exportation, domestic distribution, storage, sale and use of such products could become subject to a significant degree of regulation by the FDA and the DEA. In that case, the Company may be required to be registered 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 manufacturing or distribution of the Company's products. The DEA conducts periodic inspections of 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, should the United States federal government legalize cannabis, it is possible that the FDA would seek to regulate it under the Food, Drug and Cosmetics Act of 1938. Additionally, the FDA may issue rules and regulations, including good manufacturing practices related to the growth, cultivation, harvesting and processing of medical and adult-use cannabis. Clinical trials may be needed to verify efficacy and safety of medical cannabis products. It is also possible that the FDA would require that facilities where cannabis is grown or manufactured register with the agency and comply with certain federally prescribed regulations. In the event that some or all of these regulations are imposed, the impact on the cannabis industry is uncertain and could include the imposition of new costs, requirements, and prohibitions. If the Company is unable to comply with the regulations or registration as prescribed by the FDA, it may have an adverse effect on our business, operating results, and financial condition.

Unless and until the United States Congress amends the CSA with respect to medical and/or adult-use cannabis as currently scheduled as a Schedule I drug (and as to the timing or scope of any such potential amendments there can be no assurance) in such a manner as to enable the operation of commercial cannabis activity across state lines as otherwise sanctioned under state law, and otherwise legislates to implement a legal and regulatory paradigm to allow state—sanctioned commercial cannabis markets to safety operate under federal law, and federal regulators implement regulations in harmony with such Congressional action, there is a risk that U.S. federal authorities may enforce current U.S. federal law, or change federal laws, regulations, and policies that are not favorable to the Company or the state markets in which it operates. If the U.S. federal government begins to enforce U.S. 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, the Company's business, results of operations, financial condition and prospects and the Company would be materially adversely affected.

Such potential proceedings could involve significant restrictions being imposed upon the Company or third parties, while diverting the attention of key executives. Such proceedings could have a material adverse effect on the Company, as well as the Company's reputation, even if such proceedings were concluded successfully in favor of the Company. In the extreme case, such proceedings could ultimately involve the prosecution of key executives of the Company or the seizure of Company assets; however as of the date hereof, the Company believes that proceedings of this nature are likely to be remote.

There is no certainty as to how the U.S. DOJ, Federal Bureau of Investigation and other government agencies will handle cannabis matters in the future. The Company regularly monitors the activities of the current administration in this regard.

The Company is subject to restricted access to banking services in the United States and Canada.

In February 2014, the Financial Crimes Enforcement Network ("**FinCEN**") of the U.S. Treasury Department issued guidance through a memorandum (the "**FinCEN Memorandum**") with respect to financial institutions providing banking services to cannabis businesses. This guidance includes burdensome due diligence expectations and reporting requirements and does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the U.S. DOJ, FinCEN or other federal regulators. Thus, many banks and other financial institutions in the United States choose not to provide banking services to cannabis-related businesses or rely on this guidance, which can be amended or revoked at any time by the Biden administration or a future presidential administration. In addition to the foregoing, banks may refuse to process debit card payments, and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, the Company may have limited or no access to banking or other financial services in the United States. The inability, or limitation of the Company's ability, to open and maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for the Company to operate and conduct its business as planned or to operate efficiently.

Additionally, Canadian banks may potentially refuse to provide banking services to companies engaged in U.S. cannabis activities while it is illegal under U.S. federal law.

There are increasing numbers of high net worth individuals and family offices that have made meaningful investments in companies and businesses similar to the Company. Although there has been an increase in the amount of private financing available over the last several years, such financing remains difficult to obtain and there is neither a broad nor deep pool of institutional capital that is available to cannabis license holders and license applicants. There can be no assurance that additional financing, if raised privately, will be available to the Company when needed or on terms which are acceptable to the Company. The Company's inability to raise financing to fund capital expenditures or acquisitions could limit its growth and may have a material adverse effect upon future profitability.

The differing regulatory requirements across State jurisdictions may significantly hinder or otherwise prevent the Company from achieving economies of scale.

It may not be achievable to implement traditional rules of investing in the cannabis industry. For example, while it would be common for investment managers to purchase equity in companies in different states to reach economies of scale and to conduct business across State lines, such an investment thesis may not be feasible in the cannabis industry because of varying state-by-state legislation. Applicable regulations in many states may require advance disclosure of and approval of State regulators to accomplish an investment. As no two regulated markets in the cannabis industry are exactly the same, doing business across State lines may not be possible or commercially practicable, and is likely to result in numerous inefficiencies and duplicative costs. As a result, the Company may be limited to identifying opportunities in individual states, which may have the effect of slowing the growth prospects of the Company.

Risk of legal, regulatory or other political change.

The success of the business strategy of the Company depends on the legality of the cannabis industry and the promulgation of laws, regulations, and policies that render feasible successful participation in the cannabis industry. The political environment surrounding the cannabis industry in general can be volatile and the regulatory framework remains in flux. To the Company's knowledge, as of the date hereof, the medical use of cannabis has been legalized in 38 states and the District of Columbia. The recreational or adult-use of cannabis has been approved in DC and 24 states. Another 10 states have decriminalized its use. The risk remains, however, that a shift in the regulatory or political realm could occur and have a drastic impact on the industry as a whole, adversely impacting the Company's business, results of operations, financial condition or prospects.

Delays in enactment of new State or federal regulations could restrict the ability of the Company to reach strategic growth targets. The growth strategy of the Company is contingent upon certain federal and State regulations being enacted to facilitate the legalization of medical and adult-use marijuana. If such regulations are not enacted, or enacted but subsequently repealed or amended, or enacted with prolonged phase-in periods, the growth targets of the Company could be negatively impacted, and thus, the effect on the return of investor capital, could be detrimental. The Company is unable to predict with certainty when and how the outcome of these complex regulatory and legislative proceedings will affect its business and growth.

Further, there is no guarantee that State laws legalizing and regulating the sale, taxation, and use of cannabis will not be repealed or overturned or dramatically changed, or that local governmental authorities will not limit the applicability of State laws within their respective jurisdictions, including prohibiting ownership of cannabis businesses by public companies, or implementing unfavorable local rules and regulations that make infeasible participation in the local cannabis market. If the federal government begins to enforce federal laws relating to cannabis in states where the sale and use of cannabis is currently legal under State law, or if existing applicable State laws are repealed, unfavorably changed, or curtailed, the Company’s 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, tax, and/or restrict disbursement of marijuana in a manner that will make it extremely difficult or impossible to transact business in that jurisdiction, which may adversely affect the Company’s continued operations. Federal actions against individuals or entities engaged in the cannabis industry or a repeal of applicable marijuana legislation could adversely affect the Company and its business, results of operations, financial condition and prospects.

The Company is also aware that multiple states are considering additional or 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. Should such additional or special taxes or fees be adopted, this could have a material adverse effect upon the Company’s business, results of operations, financial condition or prospects.

Overall, the medical and adult-use cannabis industry is subject to significant regulatory change at both the State and federal level. The inability of the Company to expeditiously and appropriately respond to the changing and often unpredictable regulatory landscape may cause it to not be successful in capturing significant market share and could otherwise harm its business, results of operations, financial condition or prospects.

The Company faces significant competition from the illegal cannabis market.

The Company continues to face competition from producers and distributors of cannabis and cannabis products that are unlicensed and unregulated and operating exclusively in the illegal cannabis market. The illicit market currently in California is generally understood to dwarf the size of the legal cannabis market, though reliable statistics concerning the magnitude of illegal cannabis sales and the impact on the regulated cannabis market is difficult to reliably track. State and local regulators generally have done very little in terms of meaningful enforcement to reduce the number of participants in such illicit market. Illicit market participants generally produce and sell cannabis and cannabis products with higher concentrations of active ingredients, use pesticides, terpenes or other additives which the Company may not be permitted to use, do not pay taxes and fees that regulated cannabis companies pay, and/or sell cannabis and cannabis products at prices that a regulated cannabis company could not feasibly offer, and/or engage in advertising and promotion activities from which the Company is prohibited. As these illegal market participants do not comply with the laws and regulations governing the legalized cannabis industry, their operations may also have significantly lower costs than those of the Company. The perpetuation of the illegal market for cannabis and cannabis products in California and other states is expected to continue to meaningfully undercut the Company’s share of the legalized market and has a material adverse effect on the Company’s business, financial condition, results of operations and prospects, as well as the public’s perception of cannabis use.

The cannabis industry is a relatively new industry that may not succeed.

Should the U.S. federal government change course and decide to prosecute those dealing in medical or adult-use cannabis under applicable law, there may not be any market for the Company’s products and services. It is a relatively new industry subject to extensive regulation, and there can be no assurance that it will grow, flourish or continue to the extent necessary to permit the Company to succeed. The Company is treating, and will treat, the cannabis industry as a deregulating industry with significant unsatisfied demand for the Company’s products and may adjust its future operations, product mix and market strategy as the industry develops and matures.

The Company's operations in the U.S. cannabis market may become the subject of heightened scrutiny.

For the reasons set forth above, the Company's existing 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 and the U.S. As a result, the Company 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 the Company's ability to operate or invest in the U.S. or any other jurisdiction, in addition to those described herein.

Given the heightened risk profile associated with cannabis in the U.S., CDS Clearing and Depository Services Inc. ("**CDS**") may implement procedures or protocols that would prohibit or significantly curtail the ability of CDS to settle trades for cannabis companies that have cannabis businesses or assets in the U.S. On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group announced the signing of a Memorandum of Understanding ("**TMX MOU**") with Cboe Canada, the Canadian Securities Exchange, the Toronto Stock Exchange, and the TSX Venture Exchange. The TMX 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 TMX 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 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 Equity Shares to make and settle trades. In particular, Equity Shares would become highly illiquid as until an alternative was implemented, investors would have no ability to effect a trade of Equity Shares through the facilities of a stock exchange.

In light of the myriad of political and regulatory uncertainties surrounding the treatment of U.S. cannabis-related activities, including the rescission of the Cole Memorandum discussed above, on February 8, 2018, the Canadian Securities Administrators revised their previously released Staff Notice 51-352 – *Issuers with U.S. Marijuana-Related Activities* (the "**Staff Notice**") setting out their disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. The Staff Notice confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. The Staff Notice includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry. The Company views the Staff Notice favorably, as it provides increased transparency and greater certainty regarding the views of its exchange and its regulator of existing operations and strategic business plan as well as the Company's ability to pursue further investment and opportunities in the Company.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the U.S. or elsewhere. A negative shift in the public's perception of medical and/or adult-use cannabis in the U.S. 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 the Company could expand. Any inability to fully implement the Company's expansion strategy may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Settlement by Securityholders Resident in the United States.

Given the heightened risk profile associated with cannabis in the United States, capital markets participants may be unwilling to assist with the settlement of trades for U.S. resident securityholders of companies with operations in the United States cannabis industry which may prohibit or significantly impair the ability of securityholders in the United States to trade the Equity Shares. In the event residents of the United States are unable to settle trades of the Equity Shares, this may affect the pricing of such securities in the secondary market, the transparency and availability of trading prices and the liquidity of these securities.

Regulatory scrutiny of the Company's industry may negatively impact its ability to raise additional capital.

The Company's business activities rely on newly established and/or developing laws and regulations in the various states in which the Company operates. These laws and regulations are rapidly evolving and subject to change with minimal notice. Regulatory changes may adversely affect the Company's profitability or cause it to cease operations entirely. The cannabis industry may come under the scrutiny or further scrutiny by the FDA, Securities and Exchange Commission, the U.S. DOJ, the Financial Industry Regulatory Advisory or other 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 and/or adult-use 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 the Company's industry may adversely affect the business and operations of the Company, including without limitation, the costs to remain compliant with applicable laws and the impairment of its ability to raise additional capital, create a public trading market in the U.S. for securities of the Company or to find a suitable acquirer, which could reduce, delay or eliminate any return on investment in the Company.

The Company's investments in the U.S. are subject to applicable anti-money laundering laws and regulations.

Because the manufacture, distribution, and dispensation 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 *U.S. 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*, the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), as amended and the rules and regulations thereunder, the *Criminal Code* (Canada) and other related or similar rules, regulations or guidelines, issued, administered or enforced by governmental authorities in the United States and Canada. 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 U.S. federal law, including cannabis, and for failing to identify or report financial transactions that involve the proceeds of cannabis-related violations of the CSA. As a result, a majority of the United States' banks and financial institutions have refused to open bank accounts for the deposit of funds from businesses directly or indirectly involved with the cannabis industry. Others have agreed to accept deposits from medical cannabis sales, but not recreational cannabis sales. The inability to open bank accounts with certain institutions could materially and adversely affect the business of the Company. See "*Risk Factors – The Company may be subject to restricted access to banking in the United States and Canada*".

In February 2014, the U.S. Department of the Treasury's Financial Crimes Enforcement Network 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 federal money laundering laws. It refers to supplementary guidance that Deputy Attorney General Cole issued to federal prosecutors in the 2014 Cole Memorandum relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA. It is unclear at this time whether the current administration will follow the guidelines of the FinCEN Memorandum.

In the event that any of the Company's 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 the ability of the Company to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada. Furthermore, while there is no current intention by the Company to declare or pay dividends on the Equity Shares in the foreseeable future, in the event that a determination was made that the Company's proceeds from operations (or any future operations or investments in the U.S.) could reasonably be shown to constitute proceeds of crime, the Company may decide or be required to suspend declaring or paying dividends without advance notice and for an indefinite period of time.

Any re-classification of cannabis under the CSA or changes in U.S. federal controlled substance laws and regulations may affect the Company's business.

On August 29, 2023, HHS issued a recommendation to the DEA that cannabis be reclassified from Schedule I to Schedule III under the CSA. The scientific review supporting HHS's recommendation to the DEA that cannabis be reclassified from a Schedule I to a Schedule III drug was publicly released, in response to a request made under the Freedom of Information Act, 5 U.S.C. § 552, on January 12, 2024. It cannot be known whether the appropriate federal bodies will indeed reclassify cannabis as a Schedule III controlled substance, or when such a reclassification might take place. Classifying cannabis as a Schedule III substance would, however, have significant implications for the Company.

If, for example, cannabis is re-categorized as a Schedule III or lower controlled substance, the ability to conduct research on the medical benefits of cannabis would most likely be simpler and more accessible; however, if cannabis is re-categorized as a Schedule III or other controlled substance, the resulting re-classification would result in the requirement for heightened FDA regulatory approval if medical claims are made for the Company's products such as medical cannabis. As a result, the manufacture, importation, exportation, domestic distribution, storage, sale and use of such products may be subject to a significant degree of regulation by the DEA. In that case, the Company 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 manufacturing or distribution of the Company's current or 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 the Company's 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.

It is important to note that reclassifying cannabis under a different Schedule under the CSA would not resolve the current conflict between state and federal law regarding commercial cannabis activity permitted under applicable state law. Even as a Schedule III drug cannabis would remain illegal to produce or sell under federal law as it would remain an unapproved drug, which could have a material adverse effect on the Company.

The Company faces intense competition from other companies and increasing legalization of cannabis and rapid growth and consolidation in the worldwide 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 both domestically and 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 U.S. domestic cannabis market by international competitors might lower the demand for the Company's products.

The foregoing legalization and growth trends in the worldwide cannabis industry has resulted in an increase in competitors, consolidation and formation of various strategic relationships. Such acquisitions or other consolidating transactions could harm the Company in a number of ways, including by losing strategic partners if they are acquired by or enter into relationships with a competitor, losing customers, shrinking revenue and market share or forcing the Company to expend greater resources to meet new or additional competitive threats, all of which could harm the Company's 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.

The Company faces and expects 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 the Company is 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 greater financial resources, manufacturing and marketing capabilities and product offerings than the Company's resources, capabilities and offerings. As a result of this competition, the Company may be unable to maintain its 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.

The availability of favorable locations may be severely restricted.

In California and other states, the local municipality pursuant to local zoning and land use laws and regulations has authority to choose where any cannabis establishment will be located. These authorized areas are frequently removed from other retail operations.

Because the cannabis industry remains illegal under U.S. federal law, the disadvantaged tax status of businesses deriving their income from cannabis, and the reluctance of the banking industry to support cannabis businesses, it may be difficult for the Company to locate and obtain the rights to operate at various preferred locations. Property owners may violate their mortgages by leasing to the Company, and those property owners that are willing to allow use of their facilities may require payment of above fair market value rents to reflect the scarcity of such locations and the risks and costs of providing such facilities.

U.S. border officials could deny entry of non-U.S. citizens into the U.S. to employees of or investors in companies with cannabis operations in the United States and Canada.

Because cannabis remains illegal under U.S. federal law, those employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry or lifetime bans from the U.S. for their business associations with U.S. cannabis businesses. Entry happens at the sole discretion of CBP officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a non-U.S. citizen or foreign national. The government of Canada has started warning travelers on its website that previous use of cannabis, or any substance prohibited by U.S. federal laws, could mean denial of entry to the U.S. business or financial involvement in the legal cannabis industry in Canada or in the United States could also be reason enough for U.S. border guards to deny entry. On September 21, 2018, CBP released a statement outlining its current position with respect to enforcement of the laws of the United States. It stated that Canada's legalization of cannabis will not change CBP enforcement of United States laws regarding controlled substances and because cannabis continues to be a controlled substance under United States law, working in or facilitating the proliferation of the legal marijuana industry in U.S. states where it is deemed legal or Canada may affect admissibility to the U.S. As a result, CBP has affirmed that, employees, directors, officers, managers, agents, representatives, and investors of companies involved in business activities related to cannabis in the U.S. or Canada (such as the Company), who are not U.S. citizens face the risk of being barred from entry into the United States potentially for life. On October 9, 2018, CBP released an additional statement regarding the admissibility of Canadian citizens working in the legal cannabis industry. CBP stated that a Canadian citizen working in or facilitating the proliferation of the legal cannabis industry in Canada coming into the U.S. for reasons unrelated to the cannabis industry will generally be admissible to the U.S.; however, if such person is found to be coming into the U.S. for reasons related to the cannabis industry, such person may be deemed inadmissible.

Risks Related to Hemp

The Company is Preparing to Enter the Regulated Hemp Industry in the United States

The Company is taking affirmative steps toward entering the regulated hemp industry in the U.S. where applicable state, local and territorial laws permit such activities. Its subsidiaries and managed entities may be directly engaged in the cultivation, manufacture, processing, sale and distribution of industrial hemp and products containing hemp or hemp-derived substances, and such entities possess or will possess a hemp cultivation license as required for participation in the U.S. regulated hemp marketplace.

The Company's Statement of Financial Position and Operating Statement Exposure to U.S. Hemp Related Activities.

As of the date of this document, no revenues of the Company's business were directly derived from U.S. hemp-related activities. The Company has procured from Ventura County, a local jurisdiction of California, a license to cultivate hemp. As part of the Phase III expansion, the Company is currently analyzing the potential to enter the U.S. hemp market.

Reform of Federal Legislation on Industrial Hemp

On December 20, 2018, President Donald Trump signed the Agriculture Improvement Act of 2018, Pub. L. 115- 334, (popularly known as the "**2018 Farm Bill**") into law.[2] Under the 2018 Farm Bill, industrial and commercial hemp are no longer to be classified as a Schedule I controlled substance in the U.S. hemp includes the plant cannabis sativa L and any part of that plant, including seeds, derivatives, extracts, cannabinoids and isomers, which contain no more than 0.3% of delta-9 THC concentration by dry weight. The 2018 Farm Bill allows states to create regulatory programs allowing for the licensed cultivation of hemp and production of hemp-derived products. Hemp and products derived from it, such as CBD, may then be sold into commerce and transported across state lines, provided that the hemp from which any product is derived was cultivated under a license issued by an authorized state program approved by the U.S. Department of Agriculture and otherwise meets the definition of hemp.

Despite the removal of CBD extracted from hemp and other hemp extracts produced under authorized state hemp programs excluded from the CSA, the FDA's stated position remains that it is a prohibited act under the Federal Food, Drug, and Cosmetic Act (the "**FD&C Act**") to introduce into interstate commerce a food to which CBD, THC or cannabinoids has been added, or to market a product containing these ingredients as a dietary supplement.[3]

The FDA continues to enforce against violations of the FD&C Act by issuing warning letters to companies marketing and selling hemp-derived products. Over the past several years, the FDA has issued warning letters to companies marketing and selling unapproved hemp-derived CBD products. The letters reiterate the agency's position that CBD cannot be added to food and dietary supplements, and as such, the agency has targeted companies whose products violated the FD&C Act's prohibition against: i) marketing CBD as or in a dietary supplement, human and animal food, or food additives; ii) marketing a dietary supplement, human and animal food, or cosmetic with disease or drug claims (i.e., claims suggesting that a product is intended to treat, cure, or prevent disease); iii) including a substance in human or animal food when that substance is not GRAS; and iv) selling products that are misbranded due to their failure to include "adequate directions for use by a layperson." The FDA also issued a consumer update reaffirming its position that CBD cannot lawfully be added to a food or marketed as a dietary supplement due to existing provisions of the FD&C Act and outlining the data and potential safety issues it is considering as part of its ongoing evaluation of potential regulatory frameworks for CBD. Notably, the FDA states that it could not conclude based on available data that CBD is "generally recognized as safe" for use in human or animal food. While this is broad and may not be applicable in all instances, it nevertheless could materially and adversely impact the Company's business and financial condition. Further, the FDA has repeatedly stated that it will continue to police the market and enforce against CBD products, and on March 22, 2021, for example, the agency issued warning letters to two companies for selling OTC products labeled as containing CBD, alleging the products were illegally marketed unapproved drugs and misbranded due to prominent featuring of CBD on the labeling, followed by additional warning letters issued in 2021 and 2022. The FDA's enforcement against the unlawful sale and marketing of CBD products has to date been limited to the issuance of warning letters, but other enforcement means are available to the FDA, including civil and criminal penalties. The FDA's current prohibition on certain hemp-derived products and the unknowns and associated risks of potential future regulations governing hemp-derived products may have a material adverse effect on the Company's business, revenues, operating results, financial condition, or prospects.

On January 26, 2023, the FDA announced its conclusion that existing regulatory pathways are not appropriate for CBD and that a new regulatory pathway would benefit consumers by providing safeguards and oversight to manage and minimize risks related to CBD products. The agency also stated it is prepared to work with Congress on this matter and that it "will continue to take action against CBD and other Cannabis-derived products to protect the public, in coordination with state regulatory partners, when appropriate" by "monitoring the marketplace, identifying products that pose risks and acting within our authorities." We note that although much of the official discussion on hemp-derived products had been localized to hemp-derived CBD, other hemp-derived cannabinoids should be assumed to be included. Further, as discussed below, regulatory changes surrounding so-called "intoxicating" hemp-derived cannabinoids also have been an area of increasing concern and regulation.

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[2] H.R.2 - 115th Congress (2017-2018): Agriculture Improvement Act of 2018, Congress.gov (2018), https://www.congress.gov/bill/115th-congress/house-bill/2/text.

[3] Notably, to date the FDA's enforcement activities in respect of the sale of CBD foods and supplements has been largely focused upon those manufacturers and distributors that have made impermissible claims about the efficacy of CBD for treating certain diseases and medical conditions.

In May of 2024, the House Agriculture Committee unveiled a draft of the 2024 Farm Bill, which would build upon federal legalization of hemp in several meaningful ways. Importantly, the draft would revise the definition of hemp, creating separate categories for producers who grow the crop for cannabinoid extraction for human and animal consumption and for “industrial hemp” producers who cultivate it for fiber, grain, oil, and seed not intended for consumption. The proposed amendments also would prohibit the commercial production, sale, and distribution of certain hemp-derived cannabinoids with an “intoxicating” effect. Farmers growing hemp to extract cannabinoids for human or animal consumption would continue to be subject to more intensive inspections and laboratory testing, while industrial hemp producers would see some exemptions. On December 21, 2024, The American Relief Act, 2025, was signed into law which extended the 2018 Farm Bill by one year without any further amendments, including any of the amendments proposed under the 2024 Farm Bill. To the extent the Company participates in the U.S. hemp marketplace, unfavorable requirements born of any future legislative process may have a material adverse impact on the Company’s business, financial condition and results of operations.

California’s Recent Hemp-Related Legislation

In the meantime, various U.S. state and local authorities have enacted legislation and/or regulation to suppress the manufacture and distribution of hemp products containing “intoxicating” hemp-derived cannabinoids that are not delta-9 THC. California, for instance, recently took steps to enact certain regulatory and statutory changes to prohibit the manufacture and sale of products containing “intoxicating” hemp-derived cannabinoids. Specifically, on September 6, 2024, the CDPH announced its intention to adopt emergency regulations which would, among other things, prohibit manufactured hemp products from containing any detectable amount of total THC (which per the regulations includes not only delta-9-THC but also delta-8-THC, delta-10-THC, THCa, and other compounds) and would impose a 5-serving-per-package limit on such products. The office of the governor of California Gavin Newsom issued a press release in support of the proposed emergency regulations, announcing anticipated enforcement efforts by state and local agencies immediately after the emergency regulations take effect. The emergency regulations were approved by the Office of Administrative Law on September 23, 2024 and are effective as of said date.

On August 30, 2024, the California State legislature approved Senate Bill 1498, which would require a manufacturer, distributor, or seller of industrial hemp to comply with advertising and marketing restrictions similar to those under recreational cannabis law, and would authorize the Attorney General, a city attorney, or county counsel to bring and maintain an action to redress a violation of California cannabis and hemp advertising and marketing restrictions. Senate Bill 1498 was signed into law by Governor Newsom on September 28, 2024. The new advertising and marketing-related laws could have a material adverse impact on the Company’s business, revenues, operating results, financial condition, or prospects.

Previously, on October 6, 2021, California Governor Gavin Newsom signed Assembly Bill 45 (“**AB 45**”) into law to initially permit the manufacture and sale of products that contain hemp derived CBD including food, beverages, dietary supplements, cosmetics, and pet products. Under AB 45, the CDPH was appointed as the primary regulator of hemp derived CBD products. The CDPH established three primary requirements to manufacture and sell hemp products in California: (1) possess a license or registration for your specific commodity (such as processed food registration); (2) obtain an Industrial Hemp Enrollment and Oversight (“**IHEO**”) authorization for each commodity; and (3) comply with CDPH law, such as the Sherman Food, Drug and Cosmetic law and the 2018 Farm Bill, and any amendments thereto.

Business Structure Risks

Unpredictability caused by the Company’s capital structure.

Although other Canadian-based companies have dual class or multiple voting share structures, given the concentration of voting control that is held indirectly by the founders of GH Group (being Kyle Kazan, Graham Farrar, James Rosenwald III and IV, Laura Parker Rosenwald, Jocelyn Rosenwald and Kris Hulgreen) (the “**Company Founders**”) by virtue of their Multiple Voting Shares, the Company is not able to predict whether this control will result in a lower trading price for or greater fluctuations in the trading price of the Equity Shares or will result in adverse publicity to the Company or other adverse consequences.

The Company’s multi-class structure has the effect of concentrating voting control and the ability to influence corporate matters with the Company Founders.

The Multiple Voting Shares have 50 votes per share, whereas the Equity Shares have one vote per share (other than in respect of the election of directors of the Company, for which the Limited Voting Shares do not have any entitlement to vote). As of December 31, 2024, the Company Founders hold approximately 77.3% of the voting power in the Company on a non-diluted basis, and approximately 65.5% on a diluted basis, just based on their ownership of 100% of the Multiple Voting Shares (without taking into account any Equity Share they may hold). Accordingly, each of the Company Founders has significant influence over the management and affairs of the Company and over all matters requiring shareholder approval, including the election of directors and significant corporate transactions. In addition, because of the 50-to-1 voting ratio between the Multiple Voting Shares and Equity Shares, the holders of Multiple Voting Shares control a majority of the combined voting power of the Company's voting shares even though the Multiple Voting Shares represent a substantially reduced percentage of the total outstanding shares of the Company. The concentrated voting control of the holders of Multiple Voting Shares limits the ability of the holders of Equity Shares to influence corporate matters for the foreseeable future, including the election of directors as well as with respect to the Company's decisions to amend its share capital, create and issue additional classes of shares, make significant acquisitions, sell significant assets or parts of its business, merge with other companies and/or undertake other significant transactions. As a result, holders of Multiple Voting Shares have the ability to influence or control many matters affecting the Company and actions may be taken that the holders of Equity Shares may not view as beneficial. The market price of the Equity Shares could be adversely affected due to the significant influence and voting power of the holders of Multiple Voting Shares. Additionally, the significant voting interest of the holders of Multiple Voting Shares could discourage transactions involving a change of control, including transactions in which an investor, as a holder of the Equity Shares, might otherwise receive a premium for the Equity Shares over the then-current market price, or discourage competing proposals if a going private transaction is proposed by one or more holders of Multiple Voting Shares. At a special meeting of the shareholders conducted on June 23, 2023, the shareholders voted to extend the Multiple Voting Shares structure for an additional 3 years, with a sunset period ending on June 29, 2027. See "*Description of Capital Structure – Equity Shares" and "Description of Capital Structure – Multiple Voting Shares*".

The issuance of Preferred Shares (as defined herein) could decrease earnings and assets available to holders of the Equity Shares and may decrease the market price of the Equity Shares.

The issuance of Preferred Shares and the terms selected by the board of directors of the Company (the "**Board**") could decrease the amount of earnings and assets available for distribution to holders of Equity Shares or adversely affect the rights and powers, including the voting rights, of the holders of the Equity Shares without any further vote or action by the holders of the Equity Shares. The issuance of Preferred Shares, or the issuance of rights to purchase Preferred Shares, could make it more difficult for a third-party to acquire a majority of the Equity Shares and thereby have the effect of delaying, deferring or preventing a change of control of the Company or an unsolicited acquisition proposal or of making the removal of management more difficult. Additionally, the issuance of Preferred Shares may have the effect of decreasing the market price of the Equity Shares.

Loss of FPI status.

The Company currently qualifies as a "**foreign private issuer**" ("**FPI**") as defined in Rule 405 under the United States *Securities Act of 1933* ("**U.S. Securities Act**") and Rule 3b-4 under the United States *Securities Exchange Act of 1934*. While the terms of the Multiple Voting Shares and Equity Shares are intended to avoid such a circumstance, if, as of the last business day of the Company's second fiscal quarter for any year, more than 50% of the Company's outstanding voting securities (as determined under Rule 405 of the U.S. Securities Act) are directly or indirectly held of record by residents of the United States, the Company will no longer meet the definition of an FPI, which may have adverse consequences on the Company's ability to raise capital in private placements or Canadian prospectus offerings. In addition, the loss of the Company's FPI status may result in substantially increased U.S. reporting requirements and increased audit, legal and administration costs. These increased costs may significantly affect the Company's business, financial condition and results of operations.

General Regulatory and Legal Risks

The Company may be subject to the risk of civil asset forfeiture.

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 were 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.

The Company may lack access to U.S. bankruptcy protections.

Because the use of cannabis is illegal under U.S. federal law, many U.S. 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 the Company were to experience a bankruptcy, it is unlikely that U.S. federal bankruptcy protections would be available to the Company's U.S. operations (the Company would indeed expect such protections would be unavailable), which could have a material adverse effect on the Company.

The Company may be subject to the risk of an inability to enforce its contracts.

It is a fundamental principle of law that a contract will not be enforced if it involves a violation of law or public policy. Because cannabis remains illegal at a federal level, judges in multiple states and U.S. federal courts have on a number of occasions refused to enforce contracts for the repayment of money when the loan was used in connection with activities that violate federal law, even if there is no violation of State law. There remains doubt and uncertainty that the Company will be able to legally enforce some or all of its contracts it enters into if necessary. The Company cannot be assured that it will have a remedy for breach of contract, which would have a material adverse effect on the Company.

The Company may be subject to the risk of changes in Canadian laws or regulations, or a failure to comply with any such laws and regulations.

The Company is subject to laws and regulations enacted by the federal and provincial governments of Canada. In particular, the Company is required to comply with certain Canadian securities laws, income tax laws, the rules of Cboe Canada and other Canadian legal and regulatory requirements. Compliance with, and monitoring of, applicable laws and regulations in Canada (in addition to U.S. laws and regulations) may be difficult, time consuming and costly. Those laws and regulations and their interpretation and application also may change from time to time and those changes could have a material adverse effect on the Company's business, investments and results of operations. In addition, a failure to comply with applicable laws or regulations, as interpreted and applied, could result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company is subject to general regulatory and licensing risks.

The Company is subject to a variety of laws, regulations and guidelines relating to the manufacture, management, transportation, storage and disposal of cannabis, including laws and regulations relating to health and safety, the conduct of operations and the protection of the environment. Achievement of the Company's business objectives is 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 the control of the Company may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company is required to obtain or renew further government permits and licenses for its current and contemplated operations. Obtaining, amending or renewing the necessary governmental permits and licenses can be a time-consuming process potentially involving numerous regulatory agencies, public hearings and costly undertakings on the part of the Company. As of April 1, 2022, California no longer issued provisional licenses, instead requiring all cannabis businesses to obtain annual licensure and meet certain defined milestones to move the licenses to annual status. No provisional license will be effective after January 1, 2026. Transitioning a provisional license to an annual license is a comprehensive process which includes completed and sometimes lengthy review under the California Environmental Quality Act for every facility seeking licensure. The duration and success of the Company's efforts to obtain, amend and renew permits and licenses are contingent upon many variables not within its control, including the interpretation of applicable requirements implemented by the relevant permitting or licensing authority. The Company may not be able to obtain, amend or renew permits or licenses that are necessary to its operations or to achieve the growth of its business. Any unexpected delays or costs associated with the permitting and licensing process could impede the ongoing or proposed operations of the Company. To the extent necessary, permits or licenses are not obtained, amended or renewed, or are subsequently suspended or revoked, the Company may be curtailed or prohibited from proceeding with ongoing operations or planned development and commercialization activities. Such curtailment or prohibition may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Many of the licenses held by the Company are subject to renewal on an annual or periodic basis; however, they are generally renewed, as a matter of course, if the license holder continues to operate in compliance with applicable legislation and regulations and without any material change to its operations. These renewals are contingent upon the registration holder's past and continued ability to meet the statutory and regulatory requirements of the given program. The Company's Licensing Manager, supported by Compliance personnel, actively monitor renewal dates for licenses to seek to ensure that licenses are renewed as and when required. The Company has implemented a centralized tracking, review, and upkeep system with respect to license maintenance.

While the Company believes that its compliance controls have been developed to mitigate the risk of violations of any licenses it holds arising, there is no assurance that the Company's 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 the Company could impede the ongoing or planned operations of the Company and have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company may become involved in a number of government or agency proceedings, investigations and audits, including, without limitation, proceedings to renew or extend certain regulatory approvals required to conduct commercial cannabis activity (e.g., renewal, review, or extension of a Development Agreement). The outcome of any regulatory or agency proceedings, investigations, audits, and other contingencies could harm the Company's reputation, require the Company to take, or refrain from taking, actions that could harm its operations or require the Company to pay substantial amounts of money, harming its 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 the Company management's attention and resources or have a material adverse impact on the Company's business, financial condition, results of operations or prospects.

California regulatory regime and transfer and grant of licenses.

Cannabis business activities are heavily regulated in California at both the state and local levels. The Company's operations are subject to various laws, regulations and guidelines by governmental authorities, relating to the cultivation, manufacture, marketing, management, transportation, storage, sale, pricing and disposal of medical and recreational marijuana and cannabis oil, and also including laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant the DCC, and local regulatory bodies broad administrative discretion over the activities of the Company in California, including the power to limit or restrict business activities as well as impose additional disclosure requirements on the Company's products and services. Government approvals, including state licenses and local permits, are currently required in connection with the operations of the Company. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from cultivating, manufacturing, distributing and selling medical or adult use cannabis in California. Achievement of the Company's business objectives is contingent, in part, upon compliance with regulatory requirements enacted by the DCC and local governmental authorities and obtaining all regulatory approvals from the DCC, and local governmental authorities, where necessary, for the cultivation, manufacturing, distribution and sale of its cannabis products.

The Company may not be able to, through no fault of its own, obtain or maintain the necessary licenses, permits, certificates, authorizations or accreditations to operate its respective business, or may only be able to do so at great cost. In addition, the Company may not be able to comply fully with the wide variety of laws and regulations applicable to the cannabis industry. The Company will incur ongoing costs and obligations related to regulatory compliance and obtaining new licenses. Failure to comply with regulations may lead to possible sanctions including the revocation or imposition of additional conditions on licenses to operate the Company's business, the suspension or expulsion from the California cannabis market or of its key personnel, and the imposition of fines and censures. The inability to obtain or maintain necessary licenses, permits, certificates, authorizations or accreditations, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to the Company's operations, increased compliance costs or give rise to material liabilities, which could have a material adverse effect on the business, results of operations, financial condition and prospects of the Company.

The Company's current Senior Secured Credit Facility requires the Company to comply with certain restrictive loan covenants which may limit the Company's ability to operate its business.

Under the terms of the Senior Secured Credit Facility, the Company has made certain customary representations and is subject to customary affirmative and negative covenants, including restrictions on the Company's or its subsidiaries' ability to incur additional debt, create additional liens, transfer or dispose of assets, make distributions, consolidate, dissolve or merge, and other potential events of default (including payment defaults, covenant defaults, cross defaults and bankruptcy defaults). The Senior Secured Credit Facility also contains financial covenants, including a minimum fixed charge coverage ratio and minimum liquidity covenant. The Company will incur significant costs annually complying with such covenants and can provide no assurance that, if it is unable to comply with these covenants in the future, the Company will be able to obtain the necessary waivers or amend the Senior Secured Credit Facility to prevent a default with its senior secured lenders.

A breach of any of these covenants or requirements could result in a default under the Senior Secured Credit Facility. If the Company defaults under the Senior Secured Credit Facility and is unable to cure the default or obtain a waiver, the Company will not be able to access the credit available under the Senior Secured Credit Facility, the Company could have valuable collateral foreclosed upon and there can be no assurance that the Company would be able to obtain alternative financing. The Senior Secured Credit Facility also includes customary default provisions that entitle the senior secured lenders to take various actions in the event of a default, including, but not limited to, demanding payment for all amounts outstanding. If this occurs, the Company may not be able to repay such indebtedness or borrow sufficient funds to refinance. Even if new financing is available, it may not be on terms that are acceptable to the Company. No assurance can be given that the Company's future operating results will be sufficient to achieve compliance with the covenants and numerous requirements under the Senior Secured Credit Facility.

Regulatory action and approvals from the U.S. Food and Drug Administration.

The Company's cannabis-based products are supplied to patients diagnosed with certain medical conditions. However, the Company's cannabis-based products are not approved by the FDA as "drugs" or for the diagnosis, cure, mitigation, treatment, or prevention of any disease. Accordingly, the FDA may regard any promotion of the cannabis-based products as the promotion of an unapproved drug in violation of the *Food, Drug and Cosmetic Act* ("**FDCA**").

Some or all of the Company's cannabis-based products may be classified as cosmetic products, in which case such products are subject to various federal and state laws and regulations, including relating to the formulation, testing (including clinical testing), manufacture, storage, transportation, import, export, sale, handling, distribution, packaging, packing, labeling, advertising, and safety of the products, including, but not limited to, the laws administered by the FDA under the FDCA and its implementing regulations, as well as the United States Department of Agriculture (the "**USDA**"), the Modernization of Cosmetics Regulation Act, and by all other state and local laws parallel to the aforementioned federal requirements. Cosmetic products containing THC or CBD are not specifically prohibited by FDA, but while the ingredients that can be included in cosmetics are not highly limited by FDA, it does require that such ingredients be "safe" within the meaning of applicable laws and regulations. It is likely that the Company's products, to the extent classified as cosmetics products, are not in compliance with the applicable federal laws and regulations as enforced by the FDA, and this could have a material adverse effect on the Company's business, prospects, financial condition, and operating results.

Similarly, some or all of the Company's cannabis-based products may be classified as food and dietary supplement products, in which case such products are subject to various federal and state laws and regulations, including relating to the formulation, testing (including clinical testing), manufacture, storage, transportation, import, export, sale, handling, distribution, packaging, packing, labeling, advertising, and safety of the products, including, but not limited to, the laws administered by the FDA under the FDCA and its implementing regulations, as well as the United States Department of Agriculture USDA, the Dietary Supplement and Nonprescription Drug Consumer Protection Act, and by all other state and local laws parallel to the aforementioned federal requirements. In the prevailing federal legal and regulatory landscape, such cannabis-based products would not be found to be compliant; all ingredients included in a food must be generally recognized as safe ("**GRAS**"), but to date, the FDA does not recognize cannabis as GRAS. It is likely that the Company's products, to the extent classified as food and dietary supplement products, are not in compliance with the applicable federal laws and regulations as enforced by the FDA, and this could have a material adverse effect on the Company's business, prospects, financial condition, and operating results.

FDA enforcement action against the Company could result in a number of negative consequences, including fines, disgorgement of profits, recalls or seizures of products, or a partial or total suspension of the Company's production or distribution of its products. Any such event could have a material adverse effect on the Company's business, prospects, financial condition, and operating results.

Disruptions at the FDA, including due to a reduction in the FDA's workforce and/or inadequate funding for the FDA, could prevent the FDA from performing normal functions on which our business relies, which could negatively impact our business.

The ability of the FDA to review and approve new products or review other regulatory submissions can be affected by a variety of factors, including statutory, regulatory and policy changes, inadequate government budget and funding levels or a reduction in the FDA's workforce and its ability to hire and retain key personnel. Such changes and other disruptions at the FDA may increase the time to meet with the FDA and receive FDA feedback, review and/or approve our submissions, conduct inspections, issue regulatory guidance, or take other actions that facilitate the development, approval and marketing of regulated products, which would adversely affect our business. In addition, government proposals to reduce or eliminate budgetary deficits may include reduced allocations to the FDA and other related government agencies. For example, the Trump Administration recently established the Department of Government Efficiency, which implemented a federal government hiring freeze and announced certain additional efforts to reduce federal government employee headcount and the size of the federal government. It is unclear how these executive actions or other potential actions by the Trump Administration or other parts of the federal government will impact the FDA or other regulatory authorities that oversee our business. These budgetary pressures may reduce the FDA's ability to perform its responsibilities. If a significant reduction in the FDA's workforce occurs, the FDA's budget is significantly reduced or a prolonged government shutdown occurs, it could significantly impact the ability of the FDA to timely review and process our regulatory submissions or take other actions critical to the development or marketing of our products, if approved, which could have a material adverse effect on our business.

Limited Trademark Protection.

The Company is not currently able to register any U.S. federal trademarks for its cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling, and using cannabis is illegal under the CSA. The United States Patent and Trademark Office will not permit the registration of any trademark that identifies cannabis products. As a result, the Company likely will be unable to protect its cannabis product trademarks beyond the geographic areas in which it and its subsidiaries conduct business. The use of its trademarks outside the states in which they operate by one or more other persons could have a material adverse effect on the value of such trademarks.

Business Risks Related to the Cannabis Industry

Scientific research related to the benefits of cannabis remains in early stages, is subject to a number of important assumptions and may prove to be inaccurate.

Research in Canada, the U.S. and internationally regarding the medical benefits, viability, safety, efficacy and dosing of cannabis or isolated cannabinoids remains in early stages. To the Company's knowledge, there have been relatively few clinical trials on the benefits of cannabis or isolated cannabinoids, as such trials are severely restricted under the current U.S. federal legal and regulatory framework. Any statements made in this AIF concerning the potential medical benefits of cannabinoids are based on published articles and reports. As a result, any statements made in this AIF are subject to the experimental parameters, qualifications, assumptions and limitations in the studies that have been completed.

Although the Company believes that the articles and reports, and details of research studies and clinical trials that are publicly available reasonably support its beliefs regarding the medical benefits, viability, safety, efficacy and dosing of cannabis, future research and clinical trials may prove such statements to be incorrect, or could raise concerns regarding and perceptions relating to cannabis. Given these risks, uncertainties and assumptions, prospective and current shareholders of the Company should not place undue reliance on such articles and reports. Future research studies and clinical trials may draw opposing conclusions to those stated in this AIF or reach negative conclusions regarding the viability, safety, efficacy, dosing, social acceptance or other facts and perceptions related to medical cannabis, which may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company may be unable to attract and retain customers.

The Company's future success depends on its ability to attract and retain customers. There are many factors which could impact the Company's ability to attract and retain customers, including but not limited to its ability to continually produce desirable and effective product, the successful implementation of customer-acquisition plans and the continued growth in its aggregate number of customers. The failure to acquire and retain customers would have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Negative publicity or consumer perception may affect the success of the Company's business.

The success of the cannabis industry may be significantly influenced by the public's perception of marijuana. Both the medical and adult-use of marijuana are controversial topics, and there is no guarantee that future scientific research, publicity, regulations, medical opinion and public opinion relating to marijuana will be favorable. The cannabis industry is in its relatively early-stages and that is constantly evolving with no guarantee of viability. The market for medical and adult-use marijuana is uncertain, and any adverse or negative publicity, scientific research, limiting regulations, medical opinion and public opinion (whether or not accurate or with merit) relating to the consumption of marijuana, whether in Canada, the U.S. or elsewhere, may have a material adverse effect on the Company's business, financial condition, results of operations, customer base or prospects.

Public perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, political trade winds, media attention and other publicity regarding the consumption of marijuana products. There can be no assurance that future scientific research or findings, regulatory investigations, litigation, political positions, media attention or other publicity will be favorable to the marijuana market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory investigations, political positions, litigation, media attention or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings or other publicity could have a material adverse effect on the demand for adult-use or medical marijuana and on the business, results of operations, financial condition, cash flows or prospects of the Company.

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 such a material adverse effect. There is no assurance that such adverse publicity reports or other media attention will not arise. Among other things, a negative shift in the public's perception of cannabis in the United States or any other applicable jurisdiction 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 the Company could expand. Any inability to fully implement the Company's expansion strategy may have a material adverse effect on the Company's business, results of operations or prospects.

Controversy surrounding vaporizers and vaporizer products may materially and adversely affect the market for vaporizer products and expose the Company to litigation and additional regulation.

There have been a number of highly publicized cases involving lung and other illnesses and deaths that appear to be related to vaporizer devices and/or products used in such devices (such as vaporizer liquids). Some jurisdictions in Canada and the United States have already taken steps to prohibit the sale or distribution of vaporizers, restrict the sale and distribution of such products or impose restrictions on flavors or use of such vaporizers. This trend may continue, accelerate and expand. Negative public sentiment may prompt regulators to decide to further limit or defer the cannabis industry's ability to sell cannabis vaporizer products and may also diminish consumer demand for such products. The potential deterioration in the public's perception of cannabis containing vaping liquids may result in a reduced market for the Company's vaping products. There can be no assurance that the Company will be able to meet any additional compliance requirements or regulatory restrictions or remain competitive in face of unexpected changes in market conditions.

Litigation pertaining to vaporizer products is accelerating at a rapid pace and such litigation could potentially expand to include the Company's products, which would materially and adversely affect the Company's business, financial condition, results of operations or prospects.

The cannabis industry is difficult to forecast.

As a result of recent and ongoing regulatory and policy changes in the medical and adult-use cannabis industry, as well as the difficulties inherent to monitoring the illicit cannabis market, which is generally understood to substantially undercut the market for regulated cannabis products, the market data available is limited and unreliable. Federal and State laws prevent widespread participation and hinder market research. Therefore, market research and projections by the Company 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 the Company's management team as of the date of this AIF.

The Company must rely largely on its own market research to forecast sales as detailed forecasts are not generally obtainable from other sources at this early stage of the cannabis industry. A failure in the demand for its products to materialize as a result of competition, technological change or other factors could have a material adverse effect on the business, results of operations, financial condition or prospects of the Company.

The Company may be subject to the risk of constraints on marketing products.

The development of the Company's business and operating results may be hindered by applicable restrictions on sales and marketing activities imposed by government regulatory bodies. The regulatory environment in the U.S. limits companies' abilities to compete for market share in a manner similar to other industries. If the Company is unable to effectively market its 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 its products, the Company's sales and results of operations or prospects could be adversely affected.

Risks Related to the Company's Business

The Company may not successfully execute its business strategy.

An important part of the Company's business strategy involves expanding operations in additional U.S. markets, including in markets where it does not currently operate. The Company may be unable to pursue this strategy in the future at the desired pace or at all. The Company may be unable to, among other things, identify suitable businesses to acquire or invest in, complete acquisitions on satisfactory terms, successfully expand its infrastructure and sales force to support growth, achieve satisfactory returns on acquired businesses or enter into successful business arrangements for technical assistance or management expertise.

In addition, the process of integrating acquired businesses, particularly in new markets, may involve unforeseen difficulties, such as loss of key employees, and may require a disproportionate amount of management's attention and financial and other resources. The Company can give no assurance that it will ultimately be able to effectively integrate and manage the operations of any acquired business or realize anticipated synergies. The failure to successfully integrate the cultures, operating systems, procedures and information technologies of an acquired business could have a material adverse effect on the Company's business, financial condition or results of operations.

If the Company succeeds in expanding its business (which is currently exclusively operating in the state of California), such expansion may place increased demands on management, operating systems, internal controls and financial and physical resources. If not managed effectively, these increased demands may adversely affect the services provided to customers. In addition, the Company's personnel, systems, procedures and controls may be inadequate to support future operations, particularly with respect to operations in U.S. states in which it does not currently operate. Consequently, in order to manage growth effectively, the Company may be required to increase expenditures to increase its physical resources, expand, train and manage its employee base, improve management, financial and information systems and controls or make other capital expenditures. The Company's business, financial condition and results of operations could be adversely affected if it encounters difficulties in effectively managing the budgeting, forecasting and other process control issues presented by future growth.

The Company has a limited operating history.

As a high-growth enterprise, the Company does not have a current history of profitability. As such, the Company has no immediate prospect of generating profit from its intended operations. The Company will therefore be subject to many of the risks common to early-stage enterprises, including under-capitalization, cash shortages, limitations with respect to personnel, financial, and other resources and lack of revenues. There is no assurance that the Company will be successful in achieving a return on its shareholders' investment and the likelihood of success must be considered in light of the early stage of operations.

The Company is reliant on its management team.

The success of the Company is dependent upon the ability, expertise, judgment, discretion and good faith of its senior management. While employment agreements or management agreements are customarily used as a primary method of retaining the services of key employees, these agreements cannot assure the continued services of such employees. Any loss of the services of such individuals could have a material adverse effect on the Company's business, operating results, financial condition or prospects.

News media have reported that U.S. immigration authorities have increased scrutiny of Canadian citizens who are crossing the U.S.-Canada border with respect to persons involved in cannabis businesses in the U.S. There have been a number of Canadians barred from entering the U.S. as a result of an investment in or act related to U.S. cannabis businesses. In some cases, entry has been barred for extended periods of time. Company employees traveling from Canada to the U.S. for the benefit of the Company may encounter enhanced scrutiny by U.S. immigration authorities that may result in the employee not being permitted to enter the U.S. for a specified period of time. If this happens to the Company employees, then this may reduce our ability to effectively manage our business in the U.S.

Certain of the Company's officers and directors may now be, and all of them in respect of the Company may in the future become, affiliated with entities engaged in business activities similar or dissimilar to those intended to be conducted by the Company and, accordingly, may have conflicts of interest in allocating their time and determining to which entity a particular business opportunity should be presented or how much time should be allocated to a particular business activity related or unrelated to the Company.

The Company's officers and directors also may become aware of business opportunities which may be appropriate for presentation to the Company and the other entities to which they owe duties. In the course of their other business activities, the Company's officers and directors may owe similar or other duties, and may have obligations, to other entities or pursuant to other outside business arrangements, including seeking and presenting investment and business opportunities. Accordingly, they may have conflicts of interest in determining to which entity a particular business opportunity should be presented. These conflicts may not be resolved in our favor, as the Company's officers and directors are not required to present investment and business opportunities to the Company in priority to other entities with which they are affiliated or to which they owe duties, and such conflicts may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company's officers, directors, security holders and their respective affiliates and associates may have interests that conflict with the Company's interests.

The Company has not adopted a policy that expressly prohibits its directors, officers, security holders, affiliates or associates from having a direct or indirect financial interest in any investment to be acquired or disposed of by the Company or in any transaction to which the Company is a party or has an interest. Such persons or entities may have a conflict between their interests and ours, which may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Failure to establish and maintain effective internal control over financial reporting may result in the Company not being able to accurately report its financial results, which could result in a loss of investor confidence and adversely affect the market price of the Equity Shares.

The Company is responsible for establishing and maintaining adequate internal control over financial reporting, which is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Despite the Company's financial control and management systems, such internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate. A failure to prevent or detect errors or misstatements may result in a decline in the price of the Equity Shares and harm the Company's ability to raise capital in the future.

If management of the Company is unable to certify the effectiveness of its internal controls, or if material weaknesses or significant deficiencies in its internal controls are identified, the Company could be subject to regulatory scrutiny and a loss of public confidence, which could harm its business. In addition, if the Company does not maintain adequate financial and management personnel, processes and controls, it may not be able to accurately report its financial performance on a timely basis, which could cause a decline in the price of Equity Shares and harm the Company's ability to raise capital.

It is not expected that the Company's disclosure controls and procedures and internal control over financial reporting will prevent all errors or fraud. A control system, no matter how well designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met.

Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to errors or fraud may occur and may not be detected in a timely manner or at all. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially adversely affected, which could also cause investors to lose confidence in its reported financial information.

The Company may be subject to the risk of competition from synthetic production and technological advances.

The pharmaceutical industry may attempt to dominate the cannabis industry, and in particular, legal marijuana, through the development and distribution of synthetic products which emulate the effects and treatment of organic marijuana. If they are successful, the widespread popularity of such synthetic products, or a more favorable regulatory and tax environment with respect to such synthetic products, could change the demand, volume and profitability of the cannabis industry. This could adversely affect the ability of the Company to secure long-term profitability and success through the sustainable and profitable operation of its business. There may be unknown additional regulatory fees and taxes that may be assessed in the future that may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company may be subject to the risks associated with fraudulent or illegal activity by its employees, contractors and consultants.

The Company is exposed to the risk that its 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 to the Company that violates: (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 the Company to identify and deter misconduct by its employees and other third parties, and the precautions taken by the Company to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting the Company from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations. If any such actions are instituted against the Company, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on the Company's 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 the Company's operations, any of which could have a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Certain events or developments in the cannabis industry more generally may impact the Company's reputation.

Damage to the Company's reputation can be the result of the actual or perceived occurrence of any number of events, and could include any negative publicity, whether true or not, and frivolous litigation. Cannabis has often been associated with various other narcotics, violence and criminal activities, the risk of which is that our business might attract negative publicity. There is also risk that the action(s) of other participants, companies and service providers in the cannabis industry may negatively affect the reputation of the industry as a whole and thereby negatively impact the reputation of the Company. The increased usage of social media and other web-based tools used to generate, publish and discuss user-generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regards to the Company and its activities, whether true or not, and the cannabis industry in general, whether true or not. It is increasingly the case that cannabis marketplace competitors will bring frivolous lawsuits against fellow stakeholders for purposes of generating publicity, undermining the reputation of the litigation target, and/or creating a public platform to decry unpopular policies. The Company does not ultimately have direct control over how it or the cannabis industry is perceived by others. Reputation loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to the Company's overall ability to advance its business strategy and realize on its growth prospects, thereby having a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Third parties with whom the Company may do business may perceive themselves as being exposed to reputational risk as a result of their relationship with the Company.

The parties with which the Company may do business may perceive that they are exposed to reputational risk as a result of the Company's cannabis-related business activities. Failure to establish or maintain business relationships due to reputational risk arising in connection with the nature of the Company's business may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company may be subject to advertising and promotional risk in the event it cannot effectively implement a successful branding strategy.

The Company's future growth and profitability may depend on the effectiveness and efficiency of advertising and promotional costs, including its ability to (i) create brand recognition for any products we may develop or sell; (ii) determine appropriate advertising strategies, messages and media; and (iii) maintain acceptable operating margins on such costs. There can be no assurance that advertising and promotional costs will result in revenues for the Company's business in the future or will generate awareness for any of the Company's products. In addition, no assurance can be given that the Company will be able to manage our advertising and promotional costs on a cost-effective basis.

The Company is subject to product liability regimes and strict product recall requirements.

The Company distributes products designed to be ingested by humans. Accordingly, the Company faces the risk of exposure to potentially numerous product liability claims, regulatory action and litigation if any of its business's products are alleged to have caused significant loss or injury, or are deemed unsafe for consumption, or are found to be out of compliance with numerous laws and regulations applicable to such products. In addition, the sale of cannabis 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 cannabis products alone or in combination with other medications or substances could occur. The Company may be subject to various product liability claims, including, among others, that specific cannabis products caused injury or illness, or include inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against the Company could result in increased costs, could adversely affect our reputation with the Company's clients and consumers generally, and may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

In addition, 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. To the extent any products are recalled due to an alleged product defect or for any other reason, the Company could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. The Company may lose a significant amount 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. Moreover, a recall for any of the foregoing reasons could lead to decreased demand and could have a material adverse effect on the Company. Product recalls may lead to increased scrutiny of operations by applicable regulatory agencies, requiring further management attention and potential legal fees and other expenses.

The Company may not be able to successfully develop new products or find a market for their sale.

The cannabis industry is in its early stages of development and the Company, and its competitors, may seek to introduce new products in the future. In attempting to keep pace with any new market developments, the Company may need to expend significant amounts of research and development capital in order to successfully develop and generate revenues from new products introduced by the Company. The Company may also be required to obtain additional regulatory approvals from Health Canada various U.S. regulatory authorities, which may take significant amounts of time. The Company may not be successful in developing effective and safe new products, bringing such products to market in time to be effectively commercialized, or obtaining any required regulatory approvals, which, together with any capital expenditures made in the course of such product development and regulatory approval processes, may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company is reliant on third-party suppliers, manufacturers and contractors.

The Company maintains a full supply chain for the provision of products and services to the regulated cannabis industry. Due to the uncertain regulatory landscape for regulating cannabis in Canada and the U.S., the Company's third-party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for the Company's operations. Loss of these suppliers, manufacturers and contractors may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company is reliant on key inputs.

The marijuana business is dependent on a number of key inputs and their related costs including raw materials and supplies related to growing operations, as well as electricity, water and other local utilities. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs could materially impact the business, financial condition, results of operations or prospects of the Company. Some of these inputs may only be available from a single supplier or a limited group of suppliers. If a sole source supplier was to go out of business, the Company might be unable to find a replacement for such source in a timely manner or at all. If a sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to the Company in the future. Any inability to secure required supplies and services or to do so on appropriate terms could have a materially adverse impact on the business, financial condition, results of operations or prospects of the Company.

The Company is reliant on equipment and skilled labor.

The ability of the Company to compete and grow is dependent on it having access, at a reasonable cost and in a timely manner, to skilled labor, equipment, parts and components. No assurances can be given that the Company will be successful in maintaining its required supply of skilled labor, equipment, parts and components. It is also possible that the final costs of the major equipment contemplated by the Company's capital expenditure plans may be significantly greater than anticipated by the Company's management and may be greater than funds available to the Company, in which circumstance the Company may curtail, or extend the timeframes for completing, its capital expenditure plans. This may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

Service providers could suspend or withdraw service.

As a result of any adverse change to the approach in enforcement of United States cannabis laws, adverse regulatory or political change, additional scrutiny by regulatory authorities, adverse change in public perception in respect of the consumption of marijuana or otherwise, third-party service providers to the Company could suspend or withdraw their services, which may have a material adverse effect on the Company's business, revenues, operating results, financial condition or prospects.

The Company may be subject to the risk of litigation.

The Company is currently a party to certain litigation and may become party to other litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which the Company becomes involved be determined against the Company, such a decision could adversely affect the Company's ability to continue operating and/or the market price for the Equity Shares. Even if the Company is involved in litigation and wins, litigation can redirect significant Company resources.

The Company may be subject to risks related to the protection and enforcement of intellectual property rights and may become subject to allegations that the Company is in violation of intellectual property rights of third parties.

The ownership and protection of intellectual property rights may be a significant aspect of the Company's future success, particularly with respect to protections for cultivation processes and technologies. The Company may rely on trade secrets, technical know-how and proprietary information that are not protected by patents to maintain its competitive position. The Company tries to protect its intellectual property by entering into confidentiality agreements with parties that have access to it, such as the Company's partners, collaborators, employees and consultants. Any of these parties may breach these agreements and we may not have adequate remedies for any specific breach. In addition, 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 event the Company could be materially adversely affected.

Unauthorized parties may attempt to replicate or otherwise obtain and use the Company's products, trade secrets, technical know-how and proprietary information. Policing the unauthorized use of the Company's future intellectual property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. Identifying unauthorized use of intellectual property rights is difficult as the Company may be unable to effectively monitor and evaluate the products being distributed by its competitors, including parties such as unlicensed dispensaries, and the processes used to produce such products. In addition, in any infringement proceeding, some or all of the Company's future trademarks, patents or other intellectual property rights or other proprietary know-how, or arrangements or agreements seeking to protect the same for the benefit of the Company, may be found invalid, unenforceable, anti-competitive or not infringed. An adverse result in any litigation or defense proceedings could put one or more of the Company's future trademarks, patents or other intellectual property rights at risk of being invalidated or interpreted narrowly. Any or all of these events could result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

In addition, other parties may claim that the Company's products infringe on their proprietary and perhaps patent-protected rights. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, injunctions, temporary restraining orders and/or require the payment of damages. As well, the Company may need to obtain licenses from third parties who allege that the Company has infringed on their lawful rights. However, such licenses may not be available on terms acceptable to the Company or at all. In addition, the Company may not be able to obtain or utilize on terms that are favorable to it, or at all, licenses or other rights with respect to intellectual property that it does not own.

The Company may be subject to risks related to information technology systems, including cyber-attacks.

The Company's operations depend, in part, on how well it and its suppliers protect networks, equipment, information technology systems and software against damage from a number of 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. The Company's operations also depend, in part, 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 the Company's reputation and results of operations. The Company's 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 may become a priority to ensure the ongoing success and security of the business. As cyber threats continue to evolve, the Company may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The Company may be subject to risks related to security breaches.

Given the nature of the Company's products and its lack of legal availability outside of highly regulated channels approved by state and local governments, as well as the concentration of inventory in its facilities, despite meeting or exceeding all legislative security requirements, there remains a risk of shrinkage as well as theft. A security breach at the Company's facilities could expose the Company to additional liability and to potentially costly litigation, increase expenses relating to the resolution and future prevention of these breaches and may deter potential patients from choosing the Company's products.

In addition, the Company collects and stores personal information about its patients and customers and is responsible for protecting that information from privacy breaches. A privacy breach may occur through procedural or process failure, information technology malfunction, or deliberate unauthorized intrusions. Theft of data for competitive purposes, particularly patient lists and preferences, is an ongoing risk whether perpetrated via employee collusion or negligence or through deliberate cyber-attack. Any such theft or privacy breach would have a material adverse effect on the Company's business, financial condition and results of operations or prospects.

The Company may be subject to risks related to high bonding and insurance coverage.

There is a risk that a greater number of State regulatory agencies will begin requiring entities engaged in certain aspects of the 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. The Company is not able to quantify at this time the potential scope for such bonds or fees in the states in which it currently or may in the future operate. Any bonds or fees of material amounts could have a negative impact on the ultimate success of the Company's business.

The Company's 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 the Company maintains insurance to protect against certain risks in such amounts as it considers to be reasonable, its insurance does not cover all the potential risks associated with its operations. The Company 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 the operations of the Company is not generally available on acceptable terms. The Company might also become subject to liability for pollution or other hazards which may not be insured against or which the Company may elect not to insure against because of premium costs or other reasons. Losses from these events may cause the Company to incur significant costs that could have a material adverse effect upon its business, results of operations, financial condition or prospects.

The Company may have increased labor costs based on union activity.

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

The Company may be subject to transportation risks.

The Company's business involves, both directly and indirectly, the production, sale and distribution of cannabis products. Due to the perishable nature of such products, the Company depends on fast and efficient direct and third-party transportation services to distribute its product. Any prolonged disruption of third-party transportation services could have an adverse effect on the Company. Rising costs associated with the third-party transportation services used by the Company to ship its products may also adversely impact the business of the Company.

The Company's operations may be vulnerable to rising energy costs.

The Company's business involves the production of cannabis products which consumes considerable energy, making the Company vulnerable to rising energy costs. Rising or volatile energy costs, including in connection with the impacts of the ongoing Russia-Ukraine military conflict, may adversely impact the business of the Company and its ability to operate profitably.

The Company is subject to risks inherent in an agricultural business.

The Company's business involves the growing of cannabis, which is an agricultural product. As such, the business may be subject to the risks inherent in the agricultural business, such as insects, plant diseases, mildew and mold, and similar agricultural risks. Even when grown indoors under climate-controlled conditions monitored by trained personnel, there can be no assurance that natural elements, such as insects and plant diseases, will not have a material adverse effect on the production of cannabis products and on the Company's business, financial condition, results of operations or prospects of the Company.

Management of growth may prove to be difficult.

The Company may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of the Company to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of the Company to deal with this growth may result in a material adverse effect on the Company's business, financial condition, results of operations or prospects.

The Company may be subject to the risks of leverage.

It is anticipated that the Company will continue to utilize leverage in connection with the Company's investments in the form of secured or unsecured indebtedness. Although the Company will seek to use leverage in a manner it believes is prudent, such leverage will increase the exposure of an investment to adverse economic factors such as downturns in the economy or deterioration in the condition of the investment. If the Company defaults on secured indebtedness, the lender may foreclose and the Company could lose its entire investment in the security of such loan. If the Company defaults on unsecured indebtedness, the terms of the loan may require the Company to repay the principal amount of the loan and any interest accrued thereon in addition to heavy penalties that may be imposed. Because the Company may engage in financings where several investments are cross-collateralized, multiple investments may be subject to the risk of loss. As a result, the Company could lose its interest in performing investments in the event such investments are cross-collateralized with poorly performing or nonperforming investments.

In addition to leveraging the Company's investments, the Company may borrow funds in its own name for various purposes and may withhold or apply from distributions amounts necessary to repay such borrowings. The interest expense and such other costs incurred in connection with such borrowings may not be recovered by income from investments purchased by the Company. If investments fail to cover the cost of such borrowings, the value of the investments held by the Company would decrease faster than if there had been no such borrowings. Additionally, if the investments fail to perform to expectation, the interests of investors in the Company could be subordinated to such leverage, which will compound any such adverse consequences.

The Company may undertake future acquisitions or dispositions, which bear inherent risks.

Material acquisitions, dispositions and other strategic transactions involve a number of risks, including: (i) potential disruption of the Company's ongoing business; (ii) distraction of management; (iii) the Company may become more financially leveraged; (iv) the anticipated benefits and cost savings of those transactions may not be realized fully or at all or may take longer to realize than expected; (v) increased scope and complexity of the Company's operations; (vi) the Company may not be able to obtain required regulatory approvals and third-party consents; and (vii) loss or reduction of control over certain of the Company's assets. Additionally, the Company may issue additional Equity Shares in connection with such transactions, which would dilute a shareholder's holdings in the Company or indirect holdings in the Company.

The Company has a history of expansion through strategic acquisitions and anticipates further expansion in this manner. The presence of one or more material liabilities of an acquired company that are unknown to the Company at the time of acquisition could have a material adverse effect on the business, results of operations, prospects and financial condition of the Company. A strategic transaction may result in a significant change in the nature of the Company's business, operations and strategy. In addition, the Company may encounter unforeseen obstacles or costs in implementing a strategic transaction or integrating any acquired business into the Company's operations.

Risks related to the difficulty of attracting and retaining personnel.

The Company's success depends to a significant degree upon its ability to attract, retain and motivate highly skilled and qualified personnel. Failure to attract and retain necessary technical personnel, sales and marketing personnel and skilled management could adversely affect the Company's business. If the Company fails to attract, train and retain sufficient numbers of these highly qualified people, its prospects, business, financial condition and results of operations will be materially and adversely affected.

Co-investment risk in terms of control over the Company's investments.

The Company may co-invest in one or more investments with certain strategic investors, operators and/or other third parties through joint ventures or other entities, which parties in certain cases may have different interests, competing interests or superior rights to those of the Company. Although it is the Company's intent to retain control and other superior rights over the Company's investments, under certain circumstances it may be possible that the Company relinquishes such rights over certain of its investments and, therefore, may have a limited ability to protect its position therein. In addition, even when the Company does maintain a control position with respect to its investments, the Company's investments may be subject to typical risks associated with third-party involvement, including the possibility that a third-party may have financial difficulties resulting in a negative impact on such investment, may have economic or business interests or goals that are inconsistent with those of the Company, or may be in a position to take (or block) action in a manner contrary to the Company's objectives. The Company may also, in certain circumstances, be liable for the actions of its third-party partners or co-investors. Co-investments by third parties may or may not be on substantially the same terms and conditions as the Company, and such different terms may be disadvantageous to the Company.

Liabilities arising from accessibility to the Company's websites.

The Company currently owns and/or controls dozens of websites. 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 the Company sells services or products via web-based links targeting only jurisdictions in which such sales or services are compliant with State law, the Company may face legal action in other jurisdictions which are not the intended object of any of the Company's marketing efforts for engaging in any web-based activity that results in sales into such jurisdictions deemed illegal under applicable laws.

Certain remedies may be limited to the Company.

Pursuant to its governing documents, the Company and the shareholders of the Company may be prevented from recovering damages for alleged errors or omissions made by the members of the Board and its officers. The Company's governing documents also provide that the Company will, to the fullest extent permitted by law, indemnify members of the Board and its officers for certain liabilities incurred by them by virtue of their acts on behalf of the Company.

The Company may have difficulty enforcing judgments and effecting service of process on directors and officers.

The directors and officers of the Company currently reside outside of Canada. Most or all of the assets of such persons are located outside of Canada. Therefore, it may not be possible for the Company's shareholders to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for Company shareholders to effect service of process within Canada upon such persons.

Past performance is not indicative of future results.

The prior investment and operational performance of the Company is not indicative of the future operating results of the Company. There can be no assurance that the historical operating results achieved by the Company will be achieved, and the Company's performance may be materially different.

Financial projections may prove materially inaccurate or incorrect.

Any Company financial estimates, projections and other forward-looking information or statements included in this AIF were prepared by the Company without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking information or statements. Such forward-looking information or statements are based on assumptions of future events that may or may not occur, which assumptions may not be disclosed in this AIF. Shareholders should inquire of the Company and become familiar with the assumptions underlying any estimates, projections or other forward-looking information or statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operation expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, shareholders should not rely on any projections to indicate the actual results the Company might achieve.

The Company may not pay dividends.

It is not intended that the Company will pay any dividends on the Equity Shares in the foreseeable future. Dividends paid by the Company would potentially be subject to both U.S. and Canadian tax and, potentially, withholdings.

Market and Economy Risks

The Company may be vulnerable to currency exchange fluctuations.

Due to the Company's present operations in the United States, and its intention to continue future operations outside Canada, the Company is exposed to significant currency fluctuations. Recent events in the global financial markets have been coupled with increased volatility in the currency markets. All or substantially all of the Company's revenue is earned in U.S. dollars, but a portion of its operating expenses are incurred in Canadian dollars. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the Company's business, financial position or results of operations or prospects.

The Company may be subject to market price volatility risks.

The market price of the Equity Shares may be subject to wide fluctuations in response to many factors, including variations in the operating results of the Company, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, changes in the business prospects for the Company, general economic conditions, legislative changes, and other events and factors outside of the Company's control. In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Equity Shares.

There may be restrictions on the market for the Equity Shares.

Notwithstanding that the Equity Shares are listed in Canada on Cboe Canada (and in the U.S. on the OTCQX secondary market), various regulatory regimes in the United States forbid the transfer of such Equity Shares in quantities that exceed published thresholds without receiving advanced approval of the State regulators. Failure to obtain approval may result in the Company's licenses in that State being revoked.

There may be a limited market for the Equity Shares.

Notwithstanding that the Equity Shares are listed on Cboe Canada (and in the U.S. on the OTCQX secondary market), there can be no assurance that an active and liquid market for such Equity Shares will be maintained, and a Company shareholder may find it difficult to resell any securities of the Company.

Subsequent offerings will result in dilution to holders of the Equity Shares.

The Company may sell additional equity securities in subsequent offerings (including through the sale of securities convertible into Equity Shares or other equity securities) and may issue additional Equity Shares or other securities of the Company or other equity securities to finance acquisitions, operations, or other projects. The size of future issuances of Equity Shares or other equity securities (or of securities convertible into Equity Shares or other equity securities) nor the effect, if any, that future issuances and sales of such securities will have on the market price of the Equity Shares can be predicted at this time. Any transaction involving the issuance of previously authorized but unissued Equity Shares, securities convertible into Equity Shares, or other equity securities and convertible debt securities of the Company would result in dilution to holders of Equity Shares. Exercises of issued and outstanding warrants may also result in dilution to the holders of Equity Shares.

Inflation and other macroeconomic factors could materially adversely affect the business and operations of the Company.

The Company's operating results could be materially impacted by changes in the overall global macroeconomic environment and other economic factors that impact the Company's cost structure and revenue results. Changes in economic conditions, including recessionary conditions, the implementation of tariffs, supply chain constraints, logistics challenges, labor shortages and steps taken by governments and central banks, particularly in response to the COVID-19 pandemic, as well as other stimulus and spending programs, have, in the past, led to (and could, in the future lead to) higher inflation, resulting in an increase in costs and changes in fiscal and monetary policy, including increased interest rates. In a higher inflationary environment, the Company may be unable to raise the prices of its products and services sufficiently to keep up with the rate of inflation. Moreover, negative macroeconomic conditions could adversely impact the Company's ability to obtain financing in the future on terms acceptable to it, or at all. In addition, geopolitical instability (such as the ongoing conflict between Russia and Ukraine and the ongoing conflict in the Middle East involving Israel and Hamas) and related sanctions could continue to have significant ramifications on global financial markets, including volatility in the U.S. and global financial markets. In addition, higher inflation may reduce consumer discretionary spending and therefore reduce purchases of cannabis. These inflationary pressures and other negative macroeconomic conditions could impact the Company's revenues and resulting margins and could have an adverse impact on results of operations and could cause the market value of the Equity Shares to decline.

The Company is exposed to changes in interest rates.

The Company is exposed to interest rate risk from fluctuations in interest rates which could adversely affect the operations or financial performance of the Company. Market interest rates are currently at historically high levels which significantly impacts the cost of capital. The Company is exposed to changes in market interest rates on cash, cash equivalents, bank indebtedness and long-term debt. Debt issued at variable rates expose the Company to cash flow interest rate risk. Debt issued at fixed rates exposes the Company to fair value interest rate risk. The Company's borrowings, current and future, will require interest payments and need to be repaid or refinanced, which could require the Company to divert funds identified for other purposes to debt service and could create additional cash demands or impair its liquidity position and add financial risk. Diverting funds identified for other purposes for debt service may adversely affect business and growth prospects.

Environmental Risks

The Company may be subject to significant environmental regulations and risks.

The Company's operations are subject to federal, state and local environmental regulation in the various jurisdictions in which it operates. These regulations mandate, among other things, the maintenance of air and water quality standards and land reclamation. They also set forth limitations on the generation, transportation, storage and disposal of solid and hazardous waste. 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 (or the equivalent thereof) and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

Government approvals and permits are currently, and may in the future, be required in connection with the Company's operations. To the extent such approvals are required and not obtained, the Company may be curtailed or prohibited from its production of medical marijuana or from proceeding with the development of its operations as currently contemplated.

Failure to comply with applicable laws, regulations and permitting requirements may result in enforcement actions thereunder, 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. The Company may be required to compensate those suffering loss or damage by reason of its operations and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing the production of medical marijuana, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in expenses, capital expenditures or production costs or reduction in levels of production or require abandonment or delays in development.

The Company may be subject to unknown environmental risks.

There can be no assurance that the Company will not encounter hazardous conditions and/or substances at the facilities where it operates its businesses, such as asbestos or lead, in excess of expectations that may delay the development of its businesses. Upon encountering a hazardous condition, work at the facilities of the Company may be suspended. The presence of other hazardous conditions may require significant expenditure of the Company's resources to correct the condition. Such conditions could have a material impact on the investment returns of the Company.

The Company may be adversely affected by climate change and climate change regulations.

Climate change is occurring around the world and may impact the Company's business in numerous ways. Such change could impact the price of raw materials and packaging. Rising temperatures and increased frequency of extreme weather, such as storms, hurricanes, floods, and droughts could cause increased disruption to the production and distribution of the Company's products and have an adverse impact on consumer demand and spending. Severe weather conditions may also occur with higher frequency or may be less predictable in the future due to the effects of climate change.

Legislative and regulatory authorities in California, North America and internationally will likely continue to consider numerous measures related to climate change and greenhouse gas emissions. In order to produce, manufacture and distribute products, the Company and its suppliers will need to use fuels, electricity and various other inputs that results in the release of greenhouse gas emissions. Concerns about the environmental impacts of greenhouse gas emissions and global climate change may result in environmental and carbon taxes, charges, regulatory schemes, assessments or penalties, which could restrict or negatively impact the Company's operations. The Company may not be able to pass any resulting cost increases along to its customer base. Any enactment of laws or passage of regulations regarding greenhouse gas emissions or other climate change legislation in any jurisdiction where the Company conducts business could adversely affect its financial condition and results of operations.

While the Company has insurance policies in place that may cover some of the costs associated with extreme weather events and fires, it is possible such policies will not fully cover the damages and impacts associated with such events. The cost of such insurance coverage may become increasingly more expensive and such policies may be subject to limitations in the future, in which case the Company may bear more or all of the costs associated with extreme weather events and fires.

Tax Risks

U.S. and Canadian tax residence of the Company.

The Company is treated as a U.S. corporation for U.S. federal income tax purposes under section 7874 of the Code, and therefore subject to U.S. federal income tax on its worldwide income. For Canadian tax purposes, however, the Company is treated as a Canadian resident company (as defined in the *Income Tax Act* (Canada) ("**Tax Act**")) for Canadian federal income tax purposes. Consequently, the Company is subject to income tax both in Canada and the U.S.

The deduction of certain expenses of the Company may be restricted.

Section 280E of the Code generally prohibits businesses from deducting or claiming tax credits with respect to expenses paid or incurred in carrying on any ordinary trade or business if such trade or business (or the activities which comprise such trade or business) consists of trafficking in controlled substances (within the meaning of Schedule I and II of the CSA) which is prohibited by U.S. federal law or the law of any state in which such trade or business is conducted. The position of the U.S. Internal Revenue Services is that Section 280E of the Code applies to businesses operating in the cannabis industry, irrespective of whether such businesses are licensed and operating in accordance with applicable state laws. The application of section 280E of the Code generally causes such businesses to pay significantly higher effective U.S. federal income tax rates than similar businesses in other industries due to the above-noted loss of certain deductions and credits. The impact of section 280E of the Code on the effective tax rate of a cannabis business generally depends on how large the ratio of non-deductible expenses is to the business's total revenues. Consequently, section 280E of the Code, as administered by the Internal Revenue Service, may adversely affect the Company's profitability and, in fact, may cause the Company to operate at a loss. While recent legislative proposals or regulatory changes, if enacted into law, could eliminate or diminish the application of section 280E of the Code to cannabis businesses such as the rescheduling or descheduling of cannabis under the CSA, the enactment of any such law is uncertain and until any changes in federal law, it is anticipated that the Company will continue to be subject to section 280E of the Code. The Company, in consultation with its tax advisors, has taken the position that section 280E of the Code no longer applies to its state-legal cannabis business. Should it disagree with the Company's position, the Internal Revenue Service may assess the Company for tax attributable to section 280E of the Code and interest as well as penalties; however, the Company has indicated that it intends to vigorously dispute any such assessment.

Dividends paid by the Company may be subject to withholding tax.

It is unlikely that the Company will pay any dividends on the Equity Shares in the foreseeable future. However, dividends received by holders who are residents of Canada for purposes of the Tax Act will be subject to U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the Canada-U.S. Tax Convention (as defined below) as amended. In addition, a foreign tax credit or a deduction in respect of foreign taxes may not be available.

Dividends received by U.S. Holders (as defined below) will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax. Dividends paid by the Company will be characterized as U.S. source income for purposes of the foreign tax credit rules under the United States Internal Revenue Code of 1986, as amended (the "**Code**"). Accordingly, U.S. shareholders generally will not be able to claim a credit for any Canadian tax withheld unless, depending on the circumstances, they have an excess foreign tax credit limitation due to other foreign source income that is subject to a low or zero rate of foreign tax.

Dividends received by shareholders that are neither Canadian nor U.S. shareholders will be subject to U.S. withholding tax and will also be subject to Canadian withholding tax. These dividends may not qualify for a reduced rate of U.S. withholding tax under any income tax treaty otherwise applicable to a shareholder of the Company, subject to examination of the relevant treaty. These dividends may however qualify for a reduced rate of Canadian withholding tax under any income tax treaty otherwise applicable to a shareholder of the Company, subject to examination of the relevant treaty.

For purposes of the discussion contained in this section, a "**U.S. Holder**" is a beneficial owner of the Company's securities that, for U.S. federal income tax purposes, is or is treated as:

- an individual who is a citizen or lawful resident of the United States;
- a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia;
- an estate, the income of which is subject to U.S. federal income tax regardless of its source; or
- a trust that (1) is subject to the primary supervision of a U.S. court and one or more "United States persons" (within the meaning of Section 7701(a)(30) of the Code) have the authority to control all substantial decisions of the trust, or (2) has a valid election in effect to be treated as a United States person for U.S. federal income tax purposes.

The Company may be subject to net operating loss limitations.

Section 382 of the Code contains rules that limit for U.S. federal income tax purposes the ability of a corporation that undergoes an "ownership change" to utilize its net operating losses (and certain other tax attributes) existing as of the date of such ownership change. Under these rules, a corporation is treated as having had an "ownership change" if there is more than a 50% increase in stock ownership by one or more "5 percent shareholders," within the meaning of section 382 of the Code, during a rolling three-year period. The Business Combination resulted in an ownership change for purposes of section 382 of the Code. However, the Company currently does not have any material net operating loss carry forwards or other tax attribute carry forwards, that would be subject to limitation under section 382 of the Code.

Risk of U.S. tax classification of the Company as a U.S. Real Property Holding Company.

The Company is treated as a U.S. domestic corporation for U.S. federal income tax purposes under section 7874(b) of the Code. As a result, non-U.S. shareholders may be subject to U.S. federal income tax upon a disposition of their Equity Shares depending on whether the Company is classified as a United States real property holding corporation (a "**USRPHC**") under the Code. It is not expected that the Company will be a USRPHC, but the Company does not intend to seek a letter ruling request or other written guidance of its status as a non-USRPHC from the IRS. If the Company were to be considered a USRPHC, non-U.S. shareholders may be subject to U.S. federal income tax on any gain associated with the disposition of their Equity Shares.

The development and use of artificial intelligence, or AI, presents risks and challenges that can impact our business including by posing security risks to our confidential information, proprietary information, and personal data and could give rise to legal and/or regulatory actions, damage our reputation or otherwise materially harm our business.

Artificial intelligence, or AI, is increasingly being used in the biopharmaceutical, pharmaceutical, technology, and consumer health industries. We may develop and incorporate AI technology in certain of our products and services. Issues relating to the use of new and evolving technologies such as AI, machine learning, generative AI, and large language models, may cause us to experience perceived or actual brand or reputational harm, technical harm, competitive harm, legal liability, cybersecurity risks, privacy risks, compliance risks, security risks, ethical issues, and new or enhanced governmental or regulatory scrutiny, and we may incur additional costs to resolve such issues. Litigation or government regulation related to the use of AI may also adversely impact our ability to develop and offer products that use AI, as well as increase the cost and complexity of doing so. In addition, uncertainties regarding developing legal and regulatory requirements and standards may require significant resources to modify and maintain business practices to comply with U.S. and non-U.S. laws concerning the use of AI, the nature of which cannot be determined at this time. In addition, the European Union recently passed the Artificial Intelligence Act, whose regulations will be developed over the coming year and, in the U.S., the recent Executive Order concerning artificial intelligence may result in extensive new federal rule-making. Further, market demand and acceptance of AI technologies are uncertain, and we may be unsuccessful in our product development efforts.

We are investigating the development of policies governing the use of AI to help reasonably ensure that such AI is used in a trustworthy manner by our employees, contractors, and authorized agents and that our assets, including intellectual property, competitive information, personal information we may collect or process, and customer information, are protected. Any failure by our personnel, contractors, or other agents to adhere to our established policies could violate confidentiality obligations or applicable laws and regulations, jeopardize our intellectual property rights, cause or contribute to unlawful discrimination, or result in the misuse of personally identifiable information or the injection of malware into our systems, any of which could have a material adverse effect on our business, results of operations, and financial condition.

DIVIDENDS AND DISTRIBUTIONS

The Company has not paid dividends and currently intends to reinvest any future earnings to finance the development and growth of its business. As a result, the Company does not intend to pay dividends on the Equity Shares in the foreseeable future. Any future determination to pay distributions will be at the discretion of the Board and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of distributions and any other factors that the Board deems relevant. The Senior Secured Credit Facility limits the Company's ability to declare or pay dividends. See "*General Development of the Business – Recent Developments Since December 31, 2024 – Senior Secured Credit Facility*". The Exchange Rights Agreement (as defined below) restricts the Company from declaring or paying dividends on the Equity Shares unless economically equivalent dividends are declared and paid on the Exchangeable Shares, subject to applicable law. See "*Description of Capital Structure – Exchangeable Shares – Exchange Rights Agreement*".

DESCRIPTION OF CAPITAL STRUCTURE

The following is a summary of the rights, privileges, restrictions and conditions attaching to the outstanding securities of the Company. The Company previously applied to and was granted by the Canadian provincial securities regulatory authorities an exemption from the provisions of National Instrument 41-101 – *General Prospectus Requirements* ("**NI 41-101**") relating to restricted securities. The Company also previously applied for and was granted exemptive relief from the requirements under Part 10 of NI 51-102 – *Continuous Disclosure Obligations*, and from the requirements under Part 2 of OSC Rule 56-501 – *Restricted Shares*. The relief was granted pursuant to an order dated June 29, 2021.

Authorized Share Capital

The authorized capital of the Company is comprised of an unlimited number of (i) Subordinate Voting Shares, (ii) Restricted Voting Shares, (iii) Limited Voting Shares, (iv) Multiple Voting Shares and (v) preferred shares (the "**Preferred Shares**"). As of March 10, 2025, there were 70,403,064 Equity Shares (comprised of approximately 6,983,877 Subordinate Voting Shares, 2,228,898 Restricted Voting Shares and 61,190,289 Limited Voting Shares), 4,754,979 Multiple Voting Shares and no Preferred Shares outstanding.

In addition, as of March 10, 2025, there were 6,891,973 Exchangeable Shares (as defined below) issued and outstanding in the capital of MPB Acquisition Corp. The Company also had an aggregate of 44,384,041 warrants, 501,264 stock options and 2,942,875 restricted stock units outstanding, convertible or exercisable in each case to acquire the same number of Equity Shares as of March 10, 2025.

The Preferred Shares are issuable in series with such terms as are determined by the Board from time to time. It is not intended that such Preferred Shares will be used for anti-takeover purposes.

The Equity Shares are "restricted securities" within the meaning of such term under applicable Canadian securities laws. The Company has complied with the requirements of Part 12 of NI 41-101 to be able to file a prospectus under which the Equity Shares or securities that are, directly or indirectly, convertible into, or exercisable or exchangeable for, the Equity Shares are distributed, as the Company received the requisite prior majority approval of shareholders of the Company at the special meeting of shareholders held on June 2, 2021, in accordance with applicable law, including Section 12.3 of NI 41-101, to, among other things, effect the Share Terms Amendment. The Share Terms Amendment constituted a "restricted security reorganization" within the meaning of such term under applicable Canadian securities laws.

As of March 18, 2025, the Equity Shares represent approximately 22.9% of the voting rights attached to outstanding securities of the Company, and the Multiple Voting Shares represent approximately 77.1% of the voting rights attached to outstanding securities of the Company.

The following is a summary of the rights, privileges, restrictions and conditions attached to the Equity Shares, Multiple Voting Shares and Exchangeable Shares which does not purport to be complete. Reference should be made to the Articles and the full text of their provisions for a complete description thereof.

Equity Shares

The holders of each class of Equity Shares are entitled to receive notice of, to attend (if applicable, virtually) and to vote at all meetings of shareholders of the Company, except that they are not able to vote (but are entitled to receive notice of, to attend (if applicable, virtually) and to speak) at those meetings at which the holders of a specific class are entitled to vote separately as a class under the BCBCA and except that holders of Limited Voting Shares are not entitled to vote for the election of directors. The Subordinate Voting Shares and Restricted Voting Shares carry one vote per share on all matters. The Limited Voting Shares carry one vote per share on all matters except the election of directors, as the holders of Limited Voting Shares do not have any entitlement to vote in respect of the election for directors of the Company.

In the case of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Equity Shares will be entitled, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Equity Shares (including any liquidation preference on any issued and outstanding Multiple Voting Shares and/or Preferred Shares), to participate ratably in the Company's remaining property along with all holders of the other classes of Equity Shares (on a per share basis).

Multiple Voting Shares

The holders of Multiple Voting Shares are entitled to receive notice of, to attend (if applicable, virtually) and to vote at all meetings of shareholders of the Company, except that they are not able to vote (but are entitled to receive notice of, to attend (if applicable, virtually) and to speak) at those meetings at which the holders of a specific class are entitled to vote separately as a class under the BCBCA. The Multiple Voting Shares carry 50 votes per share voting together with the other classes of Equity Shares as if they were a single class except as otherwise provided in the Articles and except where otherwise required by law or stock exchange requirements. The Multiple Voting Shares are subject to a three-year sunset period expiring on June 29, 2027.

The holders of Multiple Voting Shares shall be entitled to vote as a separate class, in addition to any other vote of shareholders that may be required, in respect of any alteration, repeal or amendment of the Articles (other than in respect of the creation of a series of Preferred Shares) which would adversely affect the rights of the holders of the Multiple Voting Shares, and such alteration, repeal or amendment shall not be effective unless a resolution in respect thereof is approved by a majority of the votes cast by holders of the Multiple Voting Shares.

In the case of liquidation, dissolution or winding-up of the Company, whether voluntary or involuntary, or in the event of any other distribution of assets of the Company among its shareholders for the purpose of winding up its affairs, the holders of Multiple Voting Shares shall be entitled, subject to the prior rights of the holders of any shares of the Company ranking in priority to the Multiple Voting Shares (including any liquidation preference on any issued and outstanding Preferred Shares ranking in priority to the Multiple Voting Shares), to receive their redemption price of $0.001 per Multiple Voting Share (rounded down to the nearest cent taking into account all Multiple Voting Shares being liquidated at the relevant time).

In addition to the terms of the Multiple Voting Shares in the Articles of the Company, pursuant to the terms of a coattail agreement dated June 29, 2021, entered into by and among the Company, the Company Founders and Odyssey Trust Company, as trustee to oversee the implementation of the agreement on behalf of the holders of Equity Shares (the "**Coattail Agreement**"), there are restrictions on the sale of Multiple Voting Shares other than to a controlled affiliate conditional upon such controlled affiliate becoming a party to the Coattail Agreement. A holder of Multiple Voting Shares is also restricted from, directly or indirectly, granting a security interest, by way of pledge, hypothecation or otherwise, in any Multiple Voting Shares. The Coattail Agreement provides for certain rights to holders of Equity Shares representing not less than 10% of the Equity Shares to require the trustee to take action in the event of a breach or intended breach of the transfer and sale restrictions.

Exchangeable Shares

Pursuant to the Business Combination, the sellers of GH Group received, exchangeable common stock of MPB Acquisition Corp. (the "**Exchangeable Shares**") as part of their consideration.

The Exchangeable Shares entitle their holders to rights that are comparable (without taking into account tax consequences) to those rights attaching to the Equity Shares, other than that the aggregate voting power of the Exchangeable Shares shall not exceed 49.9% of the total voting power of all classes of shares of MPB Acquisition Corp. Until their Exchangeable Shares are exchanged for the applicable Equity Shares pursuant to the Exchange Rights Agreement (as defined below) or the provisions of the Exchangeable Shares, holders of the Exchangeable Shares do not have the right to vote at the Company's shareholder meetings, though they have voting rights in MPB Acquisition Corp., including at meetings of the shareholders of MPB Acquisition Corp. with respect to altering the rights of holders of any of the Exchangeable Shares, or if MPB Acquisition Corp. decides to take certain actions without fully protecting the holders of any of the Exchangeable Shares, or as otherwise required by law. The Exchangeable Shares are exchangeable at any time, on a one-for-one basis, for the Equity Shares, at the option of the holder, subject to certain contractual lockup restrictions.

Exchange Rights Agreement

The Company entered into an exchange rights agreement dated June 29, 2021, as amended, with MPB Acquisition Corp. and the representative of the sellers of GH Group (being Kyle D. Kazan) on behalf of the holders of the Exchangeable Shares (the "**Exchange Rights Agreement**"), whereby the Company agreed to make certain covenants in favor of the sellers of GH Group to protect their rights as holders of the Exchangeable Shares. The Company agreed to reserve the necessary amount of Equity Shares for issuance upon exchange of the Exchangeable Shares, and ensure such shares remain protected from pre-emptive and other rights. Upon notice to the Company and MPB Acquisition Corp. and as required under the provisions of the Exchangeable Shares, the Company will issue such number of Equity Shares to a holder of Exchangeable Shares in exchange for the Exchangeable Shares of such holder on a one-for-one basis, subject to the terms specified in the Exchange Rights Agreement. Additionally, the Company has an overriding liquidation call right under the Exchange Rights Agreement to purchase all, but not less than all, of the Exchangeable Shares from the holders thereof upon a proposed liquidation, dissolution or winding-up of MPB Acquisition Corp., as well as a redemption call right and retraction call right on the Exchangeable Shares, in each case for the consideration set forth in such agreements. The Exchange Rights Agreement restricts the Company from declaring or paying dividends on the Equity Shares unless economically equivalent dividends are declared and paid on the Exchangeable Shares, subject to applicable law. See "*Material Contracts*".

MARKET FOR SECURITIES

Trading Price and Volume

The Equity Shares and certain equity share purchase warrants (the "**Listed Warrants**") are listed and posted for trading on Cboe Canada under the symbol "GLAS.A.U" and "GLAS.WT.U", respectively. The Equity Shares and Listed Warrants also trade on the OTCQX in the United States under the symbol "GLASF" and "GHBWF", respectively.

The following indicates the high and low values and volume with respect to trading activity for the Equity Shares and Listed Warrants on Cboe Canada on a monthly basis during the year ended December 31, 2024.

Equity Shares

Month	High (US$)	Low (US$)	Volume
January	6.20	4.56	766,952
February	7.17	6.06	481,179
March	8.01	6.13	618,724
April	10.45	7.95	828,317
May	10.35	7.74	618,687
June	7.78	6.73	652,435
July	10.00	6.17	915,925
August	9.95	6.50	1,464,207
September	9.50	8.23	774,104
October	9.25	7.51	514,370
November	8.37	6.66	960,067
December	7.71	4.70	609,450

Listed Warrants

Month	High (US$)	Low (US$)	Volume
January	0.82	0.10	38,800
February	1.00	0.74	58,550
March	1.19	0.71	38,514
April	2.01	1.00	223,933
May	2.01	1.30	215,806
June	1.44	1.02	17,967
July	1.30	0.82	34,306
August	1.70	0.82	135,126
September	1.60	1.02	295,825
October	1.29	0.80	251,298
November	0.88	0.33	113,577
December	0.65	0.35	76,803

Prior Sales

There were no securities issued during the year ended December 31, 2024 that are not listed or quoted on a marketplace.

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

The following sets out the number of securities of the Company that are subject to a contractual restriction on transfer. The Multiple Voting Shares are, on their terms and pursuant to the terms of the Coattail Agreement, non-transferable except to controlled affiliates. To the knowledge of the Company, no other securities of the Company are held in escrow or subject to contractual restrictions on transfer. All contractual restrictions on transfer are governed by agreements between the applicable securityholders and the Company.

Designation of Class	Number of Securities Subject to Contractual Restriction	Percentage of Class(1)
Multiple Voting Shares(2)	4,754,979	100%

Notes:

(1) As of March 18, 2025.

(2) See "*Description of Capital Structure – Multiple Voting Shares*".

Pursuant to the investor rights agreement (the "**Investor Rights Agreement**") entered into on April 8, 2021, as amended June 18, 2021, between the Company and Mercer Park's founders (being Mercer Park L.P., Charles Miles and Sean Goodrich) ("**Mercer Park Founders**"), none of such Mercer Park Founders' Equity Shares subject to forfeiture thereunder are transferable until the expiry of the applicable forfeiture periods set forth in the Investor Rights Agreement. See "*Material Contracts – Investor Rights Agreement*".

DIRECTORS AND OFFICERS

The following table sets forth, for each of the Company's directors and executive officers, the person's name, state and country of residence, position(s) held with the Company and principal occupation(s) for the five (5) preceding years.

Name and State and Country of Residence	Position(s) with the Company	Principal Occupation(s) in Last Five Years
Kyle D. Kazan California, United States	Chairman and Chief Executive Officer	Chairman and Chief Executive Officer of the Company since June 2021 Chief Executive Officer, GH Group (2018 – June 2021) Founder and Chairman, Beach Front Property Management (1999 – present)
Graham Farrar California, United States	President and Director	President and Director of the Company since June 2021 President, GH Group (2018 – June 2021) CEO, Mission Health Associates, dba Glass House Farms (2015 – 2020)
Humble Lukanga(1) California, United States	Director	Director of the Company since June 2021 Chief Executive Officer and Founder, Life Line Financial Group
Jocelyn Rosenwald(1) California, United States	Director	Director of the Company since June 2021 Director of Acquisitions and Asset Management, Beach Front Property Management
George Raveling(2) California, United States	Director	Director of the Company since June 2021 Self-Employed Consultant, Coaching for Success
Yelena Katchko(2) California, United States	Director	Director of the Company since November 2023 Partner, Katchko, Vitiello & Karikomi, PC
John ("Jay") Nichols Jr.(1) Florida, United States	Director	Director of the Company since May 2024 Former Chairman of the Board and Interim CEO at Protective Insurance Company Former CEO of Axis Reinsurance Ltd.
Hector De La Torre(2) California, United States	Director	Director of the Company from June 2021 - July 2023 and rejoined the Board in July 2024 Executive Director of the Gateway Cities Council of Governments (July 2023 - present) Executive Director Gasol Foundation Executive Director of Transamerica Center for Health Studies (June 2013 - January 2020)
Mark Vendetti California, United States	Chief Financial Officer	Chief Financial Officer of the Company since September 2021 Chief Financial Officer, Fiore Management, LLC (2019 – 2021)
Hilal Tabsh California, United States	Chief Revenue Officer	Chief Revenue Officer of the Company since May 2022 Chief Revenue Officer, SLANG Worldwide (2021 – May 2022) Senior Vice President, BellRock Brands (2019 – May 2022) President, LIMITLESS Coffee & Tea (2017 – 2020)
Benjamin Vega California, United States	General Counsel and Corporate Secretary	General Counsel and Corporate Secretary of the Company since October 2022 Vice President and Deputy General Counsel, Covetrus, Inc. (February – September 2022) General Counsel, Manhattan West Asset Management, LLC (June 2021 – January 2022) General Counsel, The Meruelo Group (2011 – December 2020)

Notes:

(1) Member of the Audit Committee of the Board (the "**Audit Committee**"). Ms. Rosenwald is Chair.

(2) Member of the Compensation, Nomination and Corporate Governance Committee of the Board. Mr. De La Torre is Chair.

The directors of the Company are elected by the shareholders of the Company at each annual general meeting and expected to hold office until the next annual general meeting at which time they may be re-elected or replaced, unless they resign or are removed by the shareholders of the Company prior thereto.

The directors and executive officers of the Company, as a group, beneficially own or exercise control or direction over, directly or indirectly (i) 5,219,859 Equity Shares and (ii) 3,910,854 Multiple Voting Shares, representing approximately 65.1% of the voting rights attached to all of the Company's voting securities as of March 18, 2025.

Biographies

The following are brief profiles of the directors and executive officers of the Company.

Kyle D. Kazan, Chairman and Chief Executive Officer

Kyle D. Kazan is a seasoned investor and expert manager of private equity funds with over two decades of domestic and international experience and has a track record of growing de novo companies to industry leadership in the fields of fund/asset management, property management and insurance. In 1991, Mr. Kazan began investing in real estate, eventually launching a total of 23 private equity funds. He also served on the boards of multiple international investment and hedge funds before pivoting in 2016 to the regulated cannabis industry, where he closed four funds and consolidated them to form the Company. Since his early service as a special education teacher and law enforcement officer, Mr. Kazan has been a vocal advocate for police reform and ending the War on Drugs and its injustices, speaking on behalf of Law Enforcement Against Prohibition (LEAP) and appearing in many media outlets ranging from CNN to Fox. Mr. Kazan is a frequent guest professor at NYU Stern School of Business, USC Marshall Business School, and UCLA Anderson School of Management, and he is a graduate of the University of Southern California, where he played varsity basketball for Hall of Fame Coach George Raveling.

Graham Farrar, Director and President

Graham Farrar is a serial entrepreneur who began his career as part of the original team at Software.com, taking the company public in 1999. Shortly thereafter, he served on the board of Seacology and was part of the founding team at Sonos, where he was involved with product design, development, sales, and customer support. After Sonos, Mr. Farrar served as a board member for Heal the Ocean, was a founder and partner of e-book publishers iStoryTime Inc. and Zuuka and founded a Santa Barbara luxury rental company. He first ventured into the regulated cannabis industry by founding Elite Garden Wholesale, an agriculture technology company focused on developing products for the hydroponics industry. Mr. Farrar currently sits on the board of directors of The Santa Barbara Bowl Foundation.

Humble Lukanga, Director

Humble Lukanga is the Founder and Chief Executive Officer of Life Line Financial Group, a wealth management firm servicing some of the best-known performers and leaders in business, sports and entertainment. He is also the Trustee of the University of New Mexico and a board member of several companies and foundations. Mr. Lukanga was named to The Hollywood Reporter's Top Business Managers list for 3 years running and New Mexico Business Weekly's "Top 40 Under 40". He has a B.A. and M.B.A. from the University of New Mexico, is a certified CFP and has a Personal Finance Planning degree from UCLA.

Jocelyn Rosenwald, Director

Jocelyn Rosenwald began her career as a Teach For America Corps member in New York City. In 2011, she became a founding teacher at KIPP Star Elementary School and quickly became a teacher leader. She began her career in real estate investment in 2013 with Beach Front Properties LLC and managed a $500 million portfolio of opportunistic real estate investments. In November of 2016, Ms. Rosenwald began supervising the operations of 4 funds in the regulated cannabis industry which would eventually be consolidated to form the Company. She holds a B.A. from the University of Pennsylvania, an M.A. in Education from Hunter College, and an M.B.A. from UCLA Anderson School of Business.

George Raveling, Director

George Raveling was the first African American basketball coach in the Pac-8 (now Pac-12), the head coach at Washington State University, the University of Iowa and USC, and the assistant coach of the medal-winning 1984 and 1988 U.S. Olympic teams. He was also a former Director of International Basketball at Nike and a former commentator for Fox Sports and CBS. Mr. Raveling was inducted into Naismith Memorial Basketball Hall of Fame, National Collegiate Hall of Fame, and was a recipient of John W. Bunn Lifetime Achievement Award. He is the author of two books and is a co-founder of The Daily Coach leadership program. Mr. Raveling has a B.S. in Economics from Villanova University, where he is also inducted into the Villanova Hall of Fame.

Yelena Katchko, Director

Yelena Katchko is an attorney and a founding partner of Katchko, Vitiello & Karikomi, PC, a well-regarded law firm located in Los Angeles, California with an authentic and deep-rooted presence in the local cannabis industry. At the helm of KVK's cannabis practice group, Ms. Katchko handles intricate transactional, commercial, licensing, and regulatory compliance matters within the cannabis sphere. Ms. Katchko began representing medicinal cannabis clients in the City of Los Angeles in 2010 and has become one of the industry's most recognized names. Her experience includes involvement in shaping the Medicinal and Adult Use cannabis regulations in both the City of Los Angeles and the State of California through her expansive professional network, pro bono affiliations, local alliances and engagements in town halls. In particular, Ms. Katchko was integral to the city-wide resolution of *City of Los Angeles v. 420 Grand et al.* which provided a framework for Proposition D's limited immunity and, later, Measure M's priority licensure. She has developed significant experience in local government matters by being a key part of discussions with officials on the constantly changing cannabis regulatory landscape and by working closely with policymakers to advocate on behalf of her clients. In addition to her professional commitments, Ms. Katchko serves as the Vice Chair of Programming for the Los Angeles County Bar Association – Cannabis Section and as affiliate counsel for the United Cannabis Business Association (UCBA), a statewide trade association built by the leaders of the California cannabis industry.

J*ohn ("Jay") Nichols Jr., Director*

Jay Nichols is an innovative leader with substantial expertise in growing and transforming companies that have strong regulatory oversight. An accomplished insurance and reinsurance executive, Mr. Nichols has more than four decades of experience in corporate strategy, operations and finance. Most recently, Mr. Nichols served as Chairman of the Board and Interim CEO – by request of the board – at Protective Insurance Company, where he oversaw the acquisition of the company by Progressive Insurance Company. Prior to that, he was the CEO of Axis Reinsurance Ltd. Before this, Mr. Nichols spent 15 years at RenaissanceRe Holdings Ltd, eventually serving as President of RenaissanceRe Ventures. After having joined as the Controller in 1995, Mr. Nichols spearheaded the company's growth via strategic acquisitions and accessing third party capital through joint ventures. He also previously held senior executive and financial reporting positions at Hartford Steam Boiler and Monarch Life Insurance Company, and at the leading international forensic accounting firm, Matson, Driscoll & Damico.

Hector De La Torre, Director

Hector De La Torre is the Executive Director of the Gateway Cities Council of Governments. He is also an appointed member of the California Air Resources Board (CARB), the state regulatory agency for air pollution and climate change policy; and a trustee at his alma mater Occidental College in Los Angeles. He served in the California State Assembly from 2004 to 2010, representing the largely Latino 50th District in southeast Los Angeles County. He chaired the Budget Subcommittee on Health and Human Services, the Rules Committee and helped create and chair the Accountability and Administrative Review Committee during his tenure. Mr. De La Torre also served as the Executive Director of the nonprofit Gasol Foundation focused on children's wellness, and for the national non-profit Transamerica Center for Health Studies. Prior to his service in the Assembly, Mr. De La Torre served as Mayor and as a member of the South Gate City Council, Judicial Administrator in the LA Superior Court, chief of staff to the Deputy Secretary of Labor in the Clinton Administration, and a teacher at Edison Junior High in south Los Angeles. Mr. De La Torre received his bachelor's degree in Diplomacy and World Affairs from Occidental College and attended the Elliot School of International Affairs at The George Washington University. He lives in South Gate.

Mark Vendetti, Chief Financial Officer

With over 30 years of finance and accounting experience, Mark Vendetti's career spans a wide variety of industries including retail, CPG, e-commerce, manufacturing, financial services and entertainment. He has worked for some of the world's most iconic enterprises, including Procter and Gamble, Abercrombie and Fitch, Bauer Hockey, and Mattel. From 2019 to 2021, just prior to joining the Company, Mr. Vendetti was the CFO of Canndescent, a once-leading producer of premium cannabis. He was also the CFO of Francesca's, a women's specialty retailer, from 2013 to 2015, when the company enjoyed annual sales growth rates in excess of 20% and opened 240 new stores. His leadership of turnaround efforts at Bauer Hockey and Mattel generated significant improvements in company profitability, and he has helped engineer two multi-billion-dollar transactions: the merger of XM Satellite Radio with Sirius and the sale of the Sears Credit Card business to Citigroup. He holds a B.A. in Mathematics from Amherst College and an M.B.A. from Harvard University.

Hilal Tabsh, Chief Revenue Officer

With over two decades of experience in CPG businesses spanning multiple continents and categories, Hilal Tabsh has an impeccable track record of success in leading sales, marketing and distribution channels. In his fifteen years at Red Bull, he served as the head of sales and marketing strategy, based in Dubai, for the Middle East, Africa, and Pacific regions before moving to Red Bull North America in Chicago, where he oversaw sales, marketing and route-to-market distribution strategy, managing over one billion dollars in annual revenue. He then co-founded and helped grow Limitless Beverage company facilitating its acquisition by Keurig Dr. Pepper within 3 years of its founding. Hilal subsequently joined the cannabis industry, as Senior VP at BellRock Brands (Mary's Medicinals, Dixie & others) and then as Chief Revenue Officer at SlangWorldWide (O-Pen Vape, District Edibles & others). In these roles, he oversaw strategy, sales growth, and brand development for THC and CBD product lines across North America. He grew the distribution footprint of BellRock Brands by 10x and also expanded the presence of Slang's O-Pen Vape brand growing market share to reach a leadership spot in multiple states, including Colorado. Mr. Tabsh holds a Bachelor's degree in business administration and management from Jeffinor International.

Benjamin Vega, General Counsel and Corporate Secretary

Benjamin Vega is a corporate lawyer with over 20 years of experience in complex business transactions and litigation across a range of industries. Mr. Vega has extensive expertise in Finance, Private Equity, M&A, Banking, Gaming and Hospitality, Media, Professional Sports and Construction. Prior to joining the Company, Mr. Vega served as Deputy General Counsel for Covetrus, Inc., a $4 billion public company in the animal health industry. Mr. Vega has also served as General Counsel for Manhattan West, a Venture Capital, Private Equity and Financial Services firm and for the Meruelo Group, a multi-asset family office with holdings in Gaming and Hospitality, Media, Professional Sports, Food Service, Construction, Real Estate and Banking. Prior to the Meruelo Group, Mr. Vega was a Senior Counsel at Sony Pictures Entertainment and served as an Associate General Counsel for Ascent Media Group. Mr. Vega began his legal career with Skadden, Arps, Slate, Meagher & Flom LLP. Mr. Vega earned a B.A. from Harvard College and a J.D. from Harvard Law School.

Cease Trade Orders

To the best of the Company's knowledge, none of the Company's directors and executive officers has, within the ten (10) years prior to the date of this AIF, been a director, chief executive officer or chief financial officer of any company that, while such person was acting in that capacity (or after such person ceased to act in that capacity but resulting from an event that occurred while that person was acting in such capacity), was the subject of a cease trade order, an order similar to a cease trade order, or an order that denied the company access to any exemption under securities legislation, in each case for a period of more than 30 consecutive days.

Penalties or Sanctions

To the best of the Company's knowledge, no director or executive officer of the Company nor any shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, nor a personal holding company of any such persons, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Bankruptcies and Insolvencies

To the best of the Company's knowledge, no director or executive officer of the Company, nor a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, nor a personal holding company of any such persons, has, within the 10 years before the date of this AIF, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the best of the Company's knowledge, no director or executive officer of the Company, nor a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, is as of the date of this AIF or has been, within the 10 years before the date of this AIF, a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or comprise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Conflicts

Certain of the directors and executive officers of the Company are officers and directors of, or are associated with, other public and private companies. Such associations may give rise to conflicts of interest with the Company from time to time. The BCBCA requires, among other things, that the directors and executive officers of the Company act honestly and in good faith with a view to the best interest of the Company, disclose any personal interest which they may have in any material contract or transaction which is proposed to be entered into with the Company and, in the case of directors, abstain from voting as a director for the approval of any such contract or transaction. To the extent that any conflicts of interest arise, such conflicts are required to be resolved in accordance with the provisions of the BCBCA.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

Catalyst Litigation

The Company was the plaintiff in litigation in the Central District Superior Court of the County of Los Angeles against Elliot Lewis ("**Lewis**"), Damian Martin ("**Martin**"), South Cord Holdings LLC ("**SCH**"), and South Cord Management LLC ("**SCM**") (collectively, "**Catalyst Defendants**") following various public, false, and defamatory statements made by Lewis and Martin, co-founders of SCM and SCH, that the Company is the "largest black marketeer" of cannabis in the history of the United States, only 25% of the Company's cultivated cannabis is sold through legal channels, and therefore 70-80% is sold illegally, and that the Company is engaging in illicit conduct to avoid taxes.

The Company is the defendant in litigation in the Central District Superior Court of the County of Los Angeles filed by 562 Discount Med, Inc. ("Discount Med" doing business as Catalyst Cannabis Co.), an affiliate of SCH and SCM. Discount Med has asserted claims against the Company for violation of California Business & Professions Code Section 17200 et seq., California's Unfair Competition Law. Discount Med similarly alleged, like the Catalyst Defendants, that the Company is the "largest black marketeer" of cannabis in the United States and has purposefully structured its business to profit from the illicit market. The Company has categorically denied all such allegations and asserted affirmative defenses.

On May 20, 2024, the Company voluntarily dismissed without prejudice the defamation lawsuit against the Catalyst Defendants.

On June 25, 2024, the Superior Court of California (Los Angeles County) dismissed the lawsuit filed by Discount Med against Glass House for unfair competition. The Court granted Glass House's motion for judgment on the pleadings with prejudice. On July 15, 2024, the Court entered a judgment in Glass House's favor, awarding costs against the plaintiff and concluding the case. On August 7, 2024, Discount Med filed a Notice of Appeal of the judgment of dismissal following an order granting a motion for judgment on the pleadings without leave to amend. No dates have been set as of yet for the appeal as the appellate record has not yet been finalized.

There are no other legal proceedings material to the Company to which the Company or a subsidiary thereof is a party or of which any of their respective property is the subject matter, nor or any such proceedings known to the Company to be contemplated, and there have been no such legal proceedings during the Company's most recently completed financial year.

Regulatory Actions

The Company has not been subject to any penalties or sanctions imposed by any court relating to securities legislation or by a securities regulatory authority during the Company's most recently completed financial year, nor has the Company been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision, nor has the Company entered into any settlement agreements before a court relating to securities legislation or with a securities regulatory authority during the Company's most recently completed financial year.

AUDIT COMMITTEE

The Audit Committee is primarily responsible for:

- recommending to the Board the external auditor to be nominated for election by the Company's shareholders at each annual meeting and negotiating the compensation of such external auditor;
- overseeing the work of the external auditor;
- reviewing the Company's financial statements, its management's discussion and analysis in respect thereof and press releases regarding earnings before they are reviewed and approved by the Board and publicly disseminated by the Company; and
- reviewing the Company's financial reporting procedures for the Company's public disclosure of financial information extracted or derived from its financial statements.

The Board has adopted an audit committee charter ("**Audit Committee Charter**") which sets out the Audit Committee's mandate, organization, powers, and responsibilities. A copy of this Audit Committee Charter is attached as Schedule A to this AIF.

Below are the details of each audit committee member, including his/her name, whether he/she is independent and financially literate as such terms are defined under National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") and his/her education and experience as it relates to the performance of his/her duties as an audit committee member. All three audit committee members are financially literate under NI 52-110. The qualifications and independence of each member is discussed below.

Member Name	Independent[1]	Financially Literate[2]	Education and Experience Relevant to Performance of Audit Committee Responsibilities
Jocelyn Rosenwald (Chair)	Yes	Yes	Jocelyn began her career as a Teach for America Corps member in New York City. She began her career in real estate investment in 2013 with Beach Front Properties LLC and managed a $500M portfolio of opportunistic real estate investments. In November of 2016, Jocelyn began supervising the operations of 4 funds in the regulated cannabis industry which would eventually be consolidated to form GH Group. Today, Jocelyn sits on the Board of the Company as a director. She holds a B.A. from the University of Pennsylvania, an M.A. in Education from Hunter College, and an MBA from UCLA Anderson School of Business. She is a co-founder of GH Group and current director of the Company.
Humble Lukanga	Yes	Yes	Humble owns Life Line Financial Group, a wealth management firm servicing world-class performers and leaders in business, sports and entertainment. In addition to Life Line Financial, Humble serves on the board of trustees for the University of New Mexico and the board of directors for various companies. He holds both a bachelor's and master's in business administration from the Anderson School of Management at the University of New Mexico, received a Personal Finance Planning degree from UCLA and holds the CFP credential.
John "Jay" Nichols Jr.	Yes	Yes	Jay has over four decades of experience in corporate strategy, operations and finance. He has served as Chairman and Interim CEO of Protective Insurance Company. He also served as the CEO of Axis Reinsurance Company and President of RenaissanceRe Ventures. He also previously held senior executive and financial reporting positions at Hartford Steam Boiler and Monarch Life Insurance Company and at Matson, Driscoll & Damico, a leading international forensic accounting firm. He received his B.S. in Business/Accounting from Babson College.

Notes:

(1) Independent within the meaning of NI 52-110.

(2) An individual is financially literate within the meaning of NI 52-110 if he or she has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues and can reasonably be expected to be raised by the Company's financial statements.

Since the commencement of the Company's most recently completed financial year, there has not been a recommendation of the Audit Committee to nominate or compensate an external auditor which was not adopted by the Board.

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services as described in the Audit Committee Charter attached hereto as Schedule A.

The following table discloses the fees billed to the Company by its external auditor during the last two fiscal years ended December 31, 2024 and December 31, 2023:

Financial Year Ended	Audit Fees[1]	Audit Related Fees[2]	Tax Fees[3]	All Other Fees[4]
December 31, 2024	$2,049,000	nil	nil	nil
December 31, 2023	$1,337,000	nil	nil	nil

Notes:

(1) The aggregate fees billed for audit services.

(2) The aggregate fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements and are not disclosed in the audit fees column.

(3) The aggregate fees billed for tax compliance, tax advice, tax return and tax planning services of an acquired entity.

(4) The aggregate fees billed for professional services other than those listed in the other three columns.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Other than as disclosed elsewhere in this AIF, no director, executive officer or, to the best of the Company's knowledge, shareholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of any class of outstanding voting securities of the Company, or any of their respective associates or affiliates, has any material interest, direct or indirect, in any transaction within the three (3) most recently completed financial years before the date of this AIF or during the current financial year which has materially affected or is reasonably expected to materially affect the Company or a subsidiary of the Company.

TRANSFER AGENT AND REGISTRAR

Odyssey Trust Company has been appointed as the registrar and transfer agent of the Equity Shares and the Multiple Voting Shares. The office of Odyssey Trust Company (where the securities register and register of transfers are maintained) is located in Calgary, Alberta.

MATERIAL CONTRACTS

The only material contracts, other than those contracts entered into in the ordinary course of business, which the Company or one of its subsidiaries has entered into within the last financial year or before the last financial year but are still in effect, are set forth below. Copies of these material contracts are available under the Company's SEDAR+ profile at www.sedarplus.ca.

- Warrant agency agreement between the Company and Odyssey Trust Company, as warrant agent, dated May 13, 2019, as supplemented on June 29, 2021 (the "**Warrant Agreement"**). See "*Material Contracts – Warrant Agreement*" below for further details.

- Registration rights agreement dated June 29, 2021 among the Company, the Company Founders and Mercer ("**Registration Rights Agreement**"). See "*Material Contracts – Registration Rights Agreement*" below for further details.

- Exchange Rights Agreement. See "*Description of Capital Structure – Exchangeable Shares – Exchange Rights Agreement*" for further details.

- SoCal Purchase Agreements. See "*General Development of the Business – Acquisitions – SoCal Greenhouse*" for further details.

- Senior Secured Credit Facility. See "*General Development of the Business – Recent Developments Since December 31, 2024 – Senior Secured Credit Facility*" for further details.

- Debenture Indenture. See "*Material Contracts – Debenture Indenture*" below for further details.

- Warrant Indenture. See "*General Development of the Business – Financing Transactions – Offering of GH Group Series B Preferred Stock and Company Warrants*" and "*General Development of the Business – Financing Transactions – Offering of GH Group Series C Preferred Stock and Company Warrant*s" for further details.

- 2023 Warrant Indenture. See "*General Development of the Business – Financing Transactions – Offering of GH Group Series D Preferred Stock and Company Warrants*" for further details.

As of the date of this AIF, the following leases of the Company, which represent the Company's three (3) most significant leases, are considered to be material contracts entered into for the purposes of this AIF:

- the lease dated as of June 4, 2017, by and between 3243 Sacramento LLC, as lessor, and Farmacy Berkeley, as lessee; and
- the lease dated as of October 1, 2018, between Neo Street Partners LLC and Lompoc TIC, LLC, as lessor, and CA Manufacturing Solutions LLC, as lessee.

No lease represents more than 10% of the consolidated revenues of the Company.

Summaries of the above material contracts contained in this AIF are qualified in their entirety by the text of the material contracts, which are available on the Company's SEDAR+ profile at www.sedarplus.ca. Set out below are the particulars of certain material contracts not described elsewhere in this AIF.

Warrant Agreement

Pursuant to the Business Combination, the outstanding share purchase warrants of predecessor Mercer Park were exchanged for the Listed Warrants of the Company and became exercisable to acquire Equity Shares commencing 65 days after the completion of the Business Combination, pursuant to the terms of the Warrant Agreement. Each Listed Warrant is exercisable to purchase one Equity Share at a price of $11.50 per share, subject to certain adjustments. The Company may accelerate the expiry date of the outstanding Listed Warrants (excluding certain Listed Warrants issued to the founders of Mercer Park) by providing 30 days' notice if, and only if, the closing share price of the Equity Shares equals or exceeds $18.00 per share (subject to adjustments) for any 20 trading days within a 30-trading day period, in which case the expiry date shall be the date which is 30 days following the date on which such notice is provided. The right to exercise will be forfeited unless the Listed Warrants are exercised prior to the date specified in the notice of acceleration of the expiry date. The Warrant Agreement contemplates that the Listed Warrants may be exercised through cashless exercise.

Registration Rights Agreement

The Registration Rights Agreement provides the Company Founders and Mercer (the "**Registering Shareholders**" or "**Piggyback Shareholders**", as applicable) with certain demand registration rights and piggyback registration rights in respect of the Equity Shares held by such holders from time to time. These Equity Shares are referred to as "**registrable securities**". Each of the Registering Shareholders can request that the Company qualify by prospectus in Canada all or a portion of their registrable securities, provided that the aggregate offering price meets certain thresholds. If the Company proposes to register or qualify its securities for sale to the public, it must provide notice to each Registering Shareholder and the Piggyback Shareholders and use its reasonable commercial efforts to cause to be registered all registrable securities that the holders of such registrable securities request in writing be so registered. These piggy-back registration rights are unlimited in number. If a public offering of securities is being effected, those securities offered shall be allocated first to the Company then, to the Registering Shareholders (pro rata based on the amount owned by each), and then, to the Piggyback Shareholders (pro rata based on the amount owned by each).

Debenture Indenture

The Debenture Indenture provides for the issuance of an aggregate of 20,005 unsecured debentures in the aggregate principal amount of C$20,504,850.96 (having a value of C$1,024.9863 per debenture) issued to former noteholders of PLUS, designated as either Series A debentures or Series B debentures. The debentures mature on April 15, 2027, and bear interest at a rate of 8% per annum, payable semi-annually each year in cash, in Equity Shares or a combination of both. The debentures are not guaranteed, are unsecured and are subordinated to all secured obligations, liabilities and indebtedness of the Company.

Both series of debentures are redeemable, in whole or in part, at any time prior to the maturity date at the option of the Company at a redemption price equal to the principal amount and interest payable by payment of cash or by issuing such number of Equity Shares as is obtained by dividing the aggregate principal amount by the applicable redemption price for the debentures as set forth in the Debenture Indenture.

Series B debentures are convertible, in whole or in part, at the option of the holder, if any time prior to the earlier of (i) the business day immediately preceding the maturity date and (ii) the business day immediately preceding the redemption date (if applicable), the Equity Shares close at a price of $10 on Cboe Canada over a period of at least 20 consecutive trading days. The conversion price for each Equity Share to be issued upon the conversion of each Series B debenture is $10 such that approximately 80 Equity Shares are issuable for each C$1,024.9863 principal amount of Series B debenture so converted, subject to adjustment.

INTERESTS OF EXPERTS

The consolidated financial statements of the Company for the financial years ended December 31, 2024, and 2023 have been audited by Macias Gini & O'Connell LLP. Macias Gini & O'Connell LLP has confirmed that it is independent with respect to the Company in accordance with the rules of professional conduct that are relevant to its audit of the Company's consolidated financial statements.

ADDITIONAL INFORMATION

Additional information relating to the Company is available on SEDAR+ at www.sedarplus.ca and on the Company's website at www.glasshousebrands.com. Additional information, including information concerning directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the management information circular of the Company dated May 20, 2024, for its annual general and special meeting of shareholders held on June 21, 2024.

Additional financial information is contained in the Company's audited financial statements and MD&A for its most recently completed financial year. Such documents, as well as additional information about the Company, may be found under the Company's profile on SEDAR+ at www.sedarplus.ca.

SCHEDULE A

AUDIT COMMITTEE CHARTER

GLASS HOUSE BRANDS INC.

CHARTER OF THE AUDIT COMMITTEE

PURPOSE

The audit committee (the "**Audit Committee**") is a committee of the board of directors (the "**Board**") of Glass House Brands Inc. (the "**Company**"). The primary function of the Audit Committee is to assist the directors of the Company in fulfilling their applicable roles by:

(a) recommending to the Board the appointment and compensation of the Company's external auditor;

(b) overseeing the work of the external auditor, including the resolution of disagreements between the external auditor and management;

(c) pre-approving all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the Company by the Company's external auditor;

(d) satisfying themselves that adequate procedures are in place for the review of the Company's public disclosure of financial information, other than those described in (g) below, extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures;

(e) establishing procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters;

(f) reviewing and approving any proposed hiring of current or former partners or employees of the current auditor of the Company; and

(g) reviewing and recommending to the Board the approval of the annual and interim financial statements, related Management Discussion and Analysis ("**MD&A**") and other financial information provided by the Company to any governmental body or the public.

The Audit Committee should primarily fulfill these roles by carrying out the activities enumerated in this Charter. However, it is not the duty of the Audit Committee to prepare financial statements, to plan or conduct internal or external audits, to determine that the financial statements are complete and accurate and are in accordance with United States generally accepted accounting principles, to conduct investigations, or to assure compliance with laws and regulations or the Company's internal policies, procedures and controls, as these are the responsibility of management, and in certain cases, the external auditor.

LIMITATIONS ON AUDIT COMMITTEE'S DUTIES

In contributing to the Audit Committee's discharge of its duties under this Charter, each member of the Audit Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended to be, or may be construed as, imposing on any members of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which the directors are subject.

Members of the Audit Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management as to the non-audit services provided to the Company by the external auditor, (iv) financial statements of the Company represented to them by a member of management or in a written report of the external auditors to present fairly the financial position of the Company in accordance with generally accepted accounting principles, and (v) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

COMPOSITION AND MEETINGS

The Audit Committee should be comprised of not less than three directors as determined by the Board, all of whom shall be independent within the meaning of National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") of the Canadian Securities Administrators (or exempt therefrom), and free of any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee. All members of the Audit Committee should have (or should gain within a reasonable period of time after appointment) a working familiarity with basic finance and accounting practices. Each member must be "**financially literate**" within the meaning of NI 52-110 or must become financially literate within a reasonable period of time following his or her appointment. The Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Company or an outside consultant.

The members of the Audit Committee shall be elected by the Board on an annual basis or until their successors shall be duly appointed. Unless a Chair of the Audit Committee (the "**Chair**") is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership.

In addition, the Audit Committee members should meet all of the requirements for members of audit committees as defined from time to time under applicable legislation and the rules of any stock exchange on which the Company's securities are listed or traded.

The Audit Committee should meet at least four times annually, or more frequently as circumstances require. The Audit Committee should meet within forty-five (45) days following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related MD&A, and should meet within 90 days following the end of the fiscal year end to review and discuss the audited financial results for the preceding quarter and year and the related MD&A.

The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Audit Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the Company with senior employees, officers and the external auditor of the Company, and others as they consider appropriate.

For greater certainty, management is indirectly accountable to the Audit Committee and is responsible for the timeliness and integrity of the financial reporting and information presented to the Board.

In order to foster open communication, the Audit Committee or its Chair should meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Audit Committee or each of these groups believes should be discussed privately. In addition, the Audit Committee or its Chair should meet with management quarterly in connection with the Company's interim financial statements.

A quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee or such greater number as the Audit Committee shall by resolution determine.

Meetings of the Audit Committee shall be held from time to time and at such place as any member of the Audit Committee shall determine upon 48 hours' notice to each of its members. The notice period may be waived by all members of the Audit Committee. Each of the Chair of the Board, the external auditor, the Chief Executive Officer, the Chief Financial Officer or the Secretary shall be entitled to request that any member of the Audit Committee call a meeting.

This Charter is subject in all respects to the Company's articles from time to time.

ROLE

As part of its function in assisting the Board in fulfilling its oversight role (and without limiting the generality of the Audit Committee's role), the Audit Committee should:

1. Determine any desired agenda items;

2. Review and recommend to the Board changes to this Charter, as considered appropriate from time to time;

3. Review the public disclosure regarding the Audit Committee required by NI 52-110;

4. Review and seek to ensure that disclosure controls and procedures and internal control over financial reporting frameworks are operational and functional;

5. Summarize in the Company's annual information form the Audit Committee's composition and activities, as required; and

6. Submit the minutes of all meetings of the Audit Committee to the Board upon request.

Documents / Reports Review

7. Review and recommend to the Board for approval the Company's annual and interim financial statements, including any certification, report, opinion, undertaking or review rendered by the external auditor and the related MD&A, as well as such other financial information of the Company provided to the public or any governmental body as the Audit Committee or the Board require.

8. Review other financial information provided to any governmental body or the public as they see fit.

9. Review any of the Company's press releases that contain financial information.

10. Seek to satisfy itself and ensure that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements and related MD&A and periodically assess the adequacy of those procedures.

External Auditor

11. Recommend to the Board the selection of the external auditor, considering independence and effectiveness, and review and recommend the fees and other compensation to be paid to the external auditor. The Audit Committee shall have the ultimate authority to approve all audit engagement terms and fees, including the auditors' audit plan.

12. Review and seek to ensure that all financial information provided to the public or any governmental body, as required, provides for the fair presentation of the Company's financial condition, financial performance and cash flow.

13. Instruct the external auditor that its ultimate client is not management and that it is required to report directly to the Audit Committee, and not management.

14. Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion between management and the external auditor.

15. Review and discuss, on an annual basis, with the external auditor all significant relationships it has with the Company to determine the external auditor's independence.

16. Pre-approve all non-audit services (or delegate such pre-approval, as the Audit Committee may determine and as permitted by applicable Canadian securities laws) to be provided by the external auditor.

17. Review the performance of the external auditor and any proposed discharge of the external auditor when circumstances warrant.

18. Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.

19. Communicate directly with the external auditor and arrange for the external auditor to be available to the Audit Committee and the full Board as needed.

20. Review and approve any proposed hiring by the Company of current or former partners or employees of the current (and any former) external auditor of the Company.

Audit Process

21. Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Audit Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.

22. Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.

23. Review any significant disagreements among management and the external auditor in connection with the preparation of the financial statements.

24. Where there are significant unsettled issues between management and the external auditor that do not affect the audited financial statements, the Audit Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.

Financial Reporting Processes

25. Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor as they see fit.

26. Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of the Company's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices.

27. Review all material balance sheet issues, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.

28. Review with management and the external auditor the Company's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with management, the ramification of their use and the external auditor's preferred treatment and any other material communications with management with respect thereto.

29. Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.

30. If considered appropriate, establish separate systems of reporting to the Audit Committee by each of management and the external auditor.

31. Periodically consider the need for an internal audit function, if not present.

Risk Management

32. Review program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance.

General

33. The Audit Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the Company) the compensation for any such advisors.

34. Respond to requests by the Board with respect to the functions and activities that the Board requests the Audit Committee to perform.

35. Periodically review this Charter and, if the Audit Committee deems appropriate, recommend to the Board changes to this Charter.

36. Review the public disclosure regarding the Audit Committee required from time to time by applicable Canadian securities laws, including:

    - The Charter of the Audit Committee;
    - the composition of the Audit Committee;
    - the relevant education and experience of each member of the Audit Committee;
    - the external auditor services and fees; and
    - such other matters as the Company is required to disclose concerning the Audit Committee.

37. Perform any other activities as the Audit Committee deems necessary or appropriate including seeking to ensure all regulatory documents are compiled to meet Committee reporting obligations under NI 52-110.

AUDIT COMMITTEE COMPLAINT PROCEDURES

The Audit Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

The Audit Committee is a committee of the Board and is not and shall not be deemed to be an agent of the Company’s securityholders for any purpose whatsoever. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to the Company securityholders or other liability whatsoever.

Effective Date: June 29, 2021

Exhibit 99.4

**Certification of Principal Executive Officer Pursuant to Section 302
of the Sarbanes-Oxley Act of 2002**

I, Kyle Kazan, certify that:

1. I have reviewed this annual report on Form 40-F of Glass House Brands 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 issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a15(f) and 15d-15(f)) for the issuer 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 issuer, 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 issuer'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 issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer'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 issuer'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 issuer's internal control over financial reporting.

Date: March 25, 2025

By:	/s/ Kyle Kazan
Name:	Kyle Kazan
Title:	Chief Executive Officer

Exhibit 99.5

Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Mark Vendetti, certify that:

1. I have reviewed this annual report on Form 40-F of Glass House Brands 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 issuer as of, and for, the periods presented in this report;

4. The issuer's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a15(f) and 15d-15(f)) for the issuer 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 issuer, 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 issuer'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 issuer's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect the issuer's internal control over financial reporting; and

5. The issuer's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the issuer's auditors and the audit committee of the issuer'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 issuer'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 issuer's internal control over financial reporting.

Date: March 25, 2025

By:	/s/ Mark Vendetti
Name:	Mark Vendetti
Title:	Chief Financial Officer

Exhibit 99.6

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 on Form 40-F of Glass House Brands Inc., a corporation organized under the laws of British Columbia (the “Company”), for the period ending December 31, 2024 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), each of the undersigned officers of the Company certifies, 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; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: March 25, 2025	/s/ Kyle Kazan
	Kyle Kazan
	Chief Executive Officer (principal executive officer)
Dated: March 25, 2025	/s/ Mark Vendetti
	Mark Vendetti
	Chief Financial Officer (principal financial officer)

Exhibit 99.7

Form 52-109F1
Certification of Annual Filings
Full Certificate

I, Kyle Kazan, Chief Executive Officer of Glass House Brands Inc., certify the following:

1. ***Review:*** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "**annual filings**") of Glass House Brands Inc. (the "**issuer**") for the financial year ended December 31, 2024.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the financial year end

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and

      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it 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 the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is based on principles set out in the Internal Control – Integrated Framework (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO).

5.2 ***ICFR – material weakness relating to design:*** N/A

5.3 ***Limitation on scope of design:*** N/A

6. ***Evaluation:*** The issuer's other certifying officer(s) and I have

   (a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and

   (b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A

      (i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and

      (ii) N/A

7. ***Reporting changes in ICFR:*** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on October 1, 2024 and ended on December 31, 2024 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

8. ***Reporting to the issuer's auditors and board of directors or audit committee:*** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Dated March 25, 2025.

/s/ Kyle Kazan
Kyle Kazan
Chief Executive Officer

Exhibit 99.8

Form 52-109F1
Certification of Annual Filings
Full Certificate

I, Mark Vendetti, Chief Financial Officer of Glass House Brands Inc., certify the following:

1. ***Review:*** I have reviewed the AIF, if any, annual financial statements and annual MD&A, including, for greater certainty, all documents and information that are incorporated by reference in the AIF (together, the "**annual filings**") of Glass House Brands Inc. (the "**issuer**") for the financial year ended December 31, 2024.

2. ***No misrepresentations:*** Based on my knowledge, having exercised reasonable diligence, the annual filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, for the period covered by the annual filings.

3. ***Fair presentation:*** Based on my knowledge, having exercised reasonable diligence, the annual financial statements together with the other financial information included in the annual filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the annual filings.

4. ***Responsibility:*** The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. ***Design:*** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the financial year end

   (a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

      (i) material information relating to the issuer is made known to us by others, particularly during the period in which the annual filings are being prepared; and
      (ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

   (b) designed ICFR, or caused it 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 the issuer's GAAP.

5.1 ***Control framework:*** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is based on principles set out in the Internal Control – Integrated Framework (COSO Framework) published by The Committee of Sponsoring Organizations of the Treadway Commission (COSO).

5.2 ***ICFR – material weakness relating to design:*** N/A

5.3 ***Limitation on scope of design:*** N/A

6. ***Evaluation:*** The issuer's other certifying officer(s) and I have

   (a) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's DC&P at the financial year end and the issuer has disclosed in its annual MD&A our conclusions about the effectiveness of DC&P at the financial year end based on that evaluation; and

   (b) evaluated, or caused to be evaluated under our supervision, the effectiveness of the issuer's ICFR at the financial year end and the issuer has disclosed in its annual MD&A

      (i) our conclusions about the effectiveness of ICFR at the financial year end based on that evaluation; and

      (ii) N/A

7. ***Reporting changes in ICFR:*** The issuer has disclosed in its annual MD&A any change in the issuer's ICFR that occurred during the period beginning on October 1, 2024 and ended on December 31, 2024 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

8. ***Reporting to the issuer's auditors and board of directors or audit committee:*** The issuer's other certifying officer(s) and I have disclosed, based on our most recent evaluation of ICFR, to the issuer's auditors, and the board of directors or the audit committee of the board of directors any fraud that involves management or other employees who have a significant role in the issuer's ICFR.

Dated March 25, 2025.

/s/ Mark Vendetti
Mark Vendetti
Chief Financial Officer

Exhibit 99.9

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We hereby consent to the use in this Annual Report on Form 40-F of Glass House Brands Inc. of our report dated March 25, 2025, relating to the consolidated financial statements for the year ended December 31, 2024 of Glass House Brands Inc. We also consent to the reference to us under the heading “Experts” in Exhibit 99.3 of such Annual Report.

/s/ Macias Gini & O’Connell LLP

Los Angeles, California
March 25, 2025