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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2024

OR

☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

001-38875
(Commission file number)

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

Delaware	83-0806637
State or other jurisdiction of incorporation or organization	**(I.R.S. Employer Identification No.)**
1095 Broken Sound Parkway, Suite 100 Boca Raton, FL	33487
(Address of principal executive offices)	**(Zip Code)**

(877) 292-7660
Registrant's telephone number, including area code

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, $0.01 par value per share	GNLN	Nasdaq Capital Market

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

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

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

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

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

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

As of November 14, 2024, Greenlane Holdings, Inc. had 1,337,516 shares of Class A common stock outstanding

Greenlane Holdings, Inc.
Form 10-Q
For the Quarterly Period Ended September 30, 2024

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PART I

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

GREENLANE HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands, except par value per share amounts)

	September 30, 2024 (unaudited)	December 31, 2023
ASSETS		
Current assets		
Cash	$ 2,309	$ 463
Accounts receivable, net of allowance of $2,251 and $2,209 at September 30, 2024 and December 31, 2023, respectively	2,313	1,693
Inventories, net	16,013	20,529
Vendor deposits	3,725	3,765
Other current assets (Note 8)	2,279	3,319
Total current assets	26,639	29,769
Property and equipment, net	2,015	2,476
Operating lease right-of-use assets	1,271	1,936
Other assets	3,894	3,912
Total assets	$ 33,819	$ 38,093
LIABILITIES		
Current liabilities		
Accounts payable	$ 10,885	$ 12,103
Accrued expenses and other current liabilities (Note 8)	2,521	3,056
Customer deposits	1,255	2,775
Notes payable, net of debt discount	8,626	7,283
Current portion of operating leases	886	866
Current portion of finance leases	—	7
Total current liabilities	24,173	26,090
Operating leases, less current portion	326	1,010
Other liabilities	—	1
Total long-term liabilities	326	1,011
Total liabilities	24,499	27,101
Commitments and contingencies (Note 7)		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.0001 par value, 10,000 shares authorized, none issued and outstanding	—	—
Class A common stock, $0.01 par value per share, 600,000 shares authorized, 972 shares issued and outstanding as of September 30, 2024; 600,000 shares authorized, 339 shares issued and outstanding as of December 31, 2023*	8	3
Class B common stock, $0.0001 par value per share, 30,000 shares authorized, and 0 shares issued and outstanding as of September 30, 2024 and December 31, 2023*	—	—
Additional paid-in capital*	275,365	268,165
Accumulated deficit	(266,152)	(257,289)
Accumulated other comprehensive income	248	245
Total stockholders' equity attributable to Greenlane Holdings, Inc.	9,469	11,124
Non-controlling interest	(149)	(132)
Total stockholders' equity	9,320	10,992
Total liabilities and stockholders' equity	$ 33,819	$ 38,093

*After giving effect to the Reverse Stock Splits - See Note 9 - Stockholders' Equity.

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

GREENLANE HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)
(in thousands, except per share amounts)

	Three months ended September 30,		Nine months ended September 30,	
	2024	2023	2024	2023
Net sales	$ 4,038	$ 11,800	$ 11,616	$ 55,384
Cost of sales	1,011	8,671	6,066	42,162
Gross profit	3,027	3,129	5,550	13,222
Operating expenses:				
Salaries, benefits and payroll taxes	1,609	4,059	6,066	14,586
General and administrative	1,771	5,433	6,864	20,209
Depreciation and amortization	185	524	635	1,492
Total operating expenses	3,565	10,016	13,565	36,287
(Loss) from operations	(538)	(6,887)	(8,015)	(23,065)
Other income (expense), net:				
Interest expense	(3,219)	(3,415)	(4,030)	(5,148)
Change in fair value of contingent consideration	—	—	1,000	—
Gain on extinguishment of debt	—	—	2,166	—
Other income (expense), net	—	204	(3)	338
Total other income (expense), net	(3,219)	(3,211)	(867)	(4,810)
Loss before income taxes	(3,757)	(10,098)	(8,882)	(27,875)
Provision for (benefit from) income taxes	—	—	—	(6)
Net loss	(3,757)	(10,098)	(8,882)	(27,869)
Less: Net income (loss) attributable to non-controlling interest	—	19	(17)	(27)
Net loss attributable to Greenlane Holdings, Inc.	$ (3,757)	$ (10,117)	$ (8,865)	$ (27,842)
Net loss attributable to Class A common stock per share - basic and diluted (Note 9)*	$ (2.28)	$ (1.91)	$ (12.20)	$ (9.67)
Weighted-average shares of Class A common stock outstanding - basic and diluted (Note 9)*	1,647	5,513	727	2,918
Other comprehensive income (loss):				
Foreign currency translation adjustments	4	24	3	181
Comprehensive loss	(3,753)	(10,122)	(8,879)	(27,688)
Less: Comprehensive loss attributable to non-controlling interest	—	—	(17)	(8)
Comprehensive loss attributable to Greenlane Holdings, Inc.	$ (3,753)	$ (10,122)	$ (8,862)	$ (27,680)

*After giving effect to the Reverse Stock Splits - See Note 9 - Stockholders' Equity.

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GREENLANE HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Unaudited)
(in thousands)

	Class A Common Stock		Additional Paid-In Capital*	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total Stockholders' Equity
	Shares*	Amount*					
Balance December 31, 2023	339	$ 3	$ 268,165	$ (257,289)	$ 245	$ (132)	$ 10,992
Net loss	—	—	—	(4,491)	—	—	(4,491)
Equity-based compensation	17	—	86	—	—	—	86
Issuance of Class A shares - (Note 9)	38	1	(1)	—	—	—	—
Other comprehensive income	—	—	—	—	2	—	2
Balance March 31, 2024	394	$ 4	$ 268,250	$ (261,780)	$ 247	$ (132)	$ 6,589
Net loss	—	—	—	(615)	—	(17)	(632)
Issuance of Class A shares - (Note 9)	135	1	(1)	—	—	—	—
Other comprehensive income	—	—	—	—	(3)	—	(3)
Balance June 30, 2024	529	$ 5	$ 268,249	$ (262,395)	$ 244	$ (149)	$ 5,954
Net loss	—	—	—	(3,757)	—	—	(3,757)
Issuance of Class A shares and warrants - (Note 9)	443	3	7,116	—	—	—	7,119
Other comprehensive income	—	—	—	—	4	—	4
Balance September 30, 2024	972	$ 8	$ 275,365	$ (266,152)	$ 248	$ (149)	$ 9,320

*After giving effect to the Reverse Stock Splits - See Note 9 - Stockholders' Equity.

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital*	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non-Controlling Interest	Total Stockholders' Equity
	Shares*	Amount*	Shares*	Amount*					
Balance 12/31/2022	145	$ 1	—	$ —	$ 264,031	$ (225,114)	$ 55	$ 18	$ 38,991
Net loss	—	—	—	—	—	(8,693)	—	(54)	(8,747)
Equity-based compensation	—	—	—	—	110	—	—	—	110
Issuance of Class A shares - Amended Eyce APA (Note 3)	—	—	—	—	95	—	—	—	95
Other comprehensive income	—	—	—	—	—	—	178	—	178
Balance 3/31/2023	145	1	—	—	264,236	(233,807)	233	(36)	30,627
Net loss	—	—	—	—	—	(9,032)	—	8	(9,024)
Equity-based compensation forfeiture, net	—	—	—	—	(11)	—	—	—	(11)
Issuance of Class A shares - Amended Eyce APA (Note 3)	—	—	—	—	65	—	—	—	65
Other comprehensive income (loss)	—	—	—	—	—	—	27	—	27
Balance 6/30/2023	145	$ 1	—	$ —	$ 264,290	$ (242,839)	$ 260	$ (28)	$ 21,684
Net loss	—	—	—	—	—	(10,117)	—	19	(10,098)
Equity-based compensation	—	—	—	—	(70)	—	—	—	(70)
Issuance of Class A shares - Amended Eyce APA (Note 3)					65				
Issuance of Class A shares (Note 9)	168	2			3,850				3,852
Other comprehensive income (loss)	—	—	—	—	—	—	(22)	—	(22)
Balance 9/30/2023	313	$ 3	—	$ —	$ 268,105	$ (252,956)	$ 238	$ (9)	$ 15,411

*After giving effect to the Reverse Stock Splits - See Note 9 - Stockholders' Equity.

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

GREENLANE HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	For the nine months ended September 30,	
	2024	2023
Cash flows from operating activities:		
Net loss (including amounts attributable to non-controlling interest)	$ (8,882)	$ (27,869)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	635	1,492
Equity-based compensation expense	86	255
Change in provision for doubtful accounts	41	(154)
Change in fair value of contingent consideration	(1,000)	103
Amortization of debt discount and deferred financing fees	3,373	2,711
Gain on extinguishment of debt	(2,166)	—
Other	—	(17)
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Increase (decrease) in accounts receivable	(660)	4,697
Decrease in inventories	4,516	18,005
Decrease in vendor deposits	40	2,945
Decrease in other current assets	1,058	3,968
Increase (decrease) in accounts payable	(1,221)	(3,121)
Increase (decrease) in accrued expenses and other liabilities	468	(250)
Decrease in customer deposits	(1,520)	(1,573)
Net cash (used in) provided by operating activities	(5,232)	1,192
Cash flows from investing activities:		
Purchases of property and equipment, net	(173)	(633)
Proceeds from sale of equity investments	—	53
Net cash used in investing activities	(173)	(580)
Cash flows from financing activities:		
Payments on Eyce and DaVinci promissory notes	—	(2,539)
Purchase consideration paid for Eyce LLC and DaVinci acquisitions		(300)
Repayments of Asset-Based Loan	—	(15,000)
Modification costs of Asset-Based Loan	—	(751)
Proceeds from issuance of Class A common stock and warrants, net of costs	5,640	3,852
Proceeds from exercise of stock options, net of costs	1,477	—
Proceeds from Secured Bridge Loan, net of costs	—	2,090
Repayments of notes payable	(2,100)	—
Proceeds from notes payable	2,950	—
Proceeds from future receivables financing	225	3,000
Repayments of loan against future accounts receivable	(939)	(851)
Other	(5)	(29)
Net cash provided by (used in) financing activities	7,248	(10,528)
Effects of exchange rate changes on cash	3	183
Net decrease in cash	1,846	(9,733)
Cash and restricted cash, as of beginning of the period	463	12,176
Cash and restricted cash, as of end of the period	$ 2,309	$ 2,443

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

GREENLANE HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
(Unaudited)
(in thousands)

Reconciliation of cash and restricted cash to consolidated balance sheets

	For the nine months ended September 30,	
	2024	2023
Beginning of the period		
Cash	$ 463	$ 6,458
Restricted cash	—	5,718
Total cash and restricted cash, beginning of period	$ 463	$ 12,176
End of the period		
Cash	$ 2,309	$ 2,443
Restricted cash	—	—
Total cash and restricted cash, end of period	$ 2,309	$ 2,443
Supplemental disclosures of cash flow information		
Cash paid for interest	$ 778	$ 4,495
Cash paid for amounts included in the measurement of lease liabilities	$ —	$ 1,353
Non-cash financing activities:		
Non-cash purchases of property and equipment	$ —	$ 133
Extinguishment of debt in connection with Synergy asset purchase agreement	$ 2,658	$ —
Transfer from contingent consideration to notes payable	$ —	$ 1,150
Transfer from accrued expenses to notes payable	$ —	$ 437

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

NOTE 1. BUSINESS OPERATIONS AND ORGANIZATION

Organization

Greenlane Holdings, Inc. (“Greenlane” and, collectively with the Operating Company (as defined below) and its consolidated subsidiaries, the “Company”, “we”, “us”, and “our”) was formed as a Delaware corporation on May 2, 2018. We are a holding company that was formed for the purpose of completing an underwritten initial public offering (“IPO”) of shares of our Class A common stock, $0.01 par value per share (“Class A common stock”), in order to carry on the business of Greenlane Holdings, LLC (the “Operating Company”). The Operating Company was organized under the laws of the state of Delaware on September 1, 2015, and is based in Boca Raton, Florida. Unless the context otherwise requires, references to the “Company” refer to us, and our consolidated subsidiaries, including the Operating Company.

We merchandise premium cannabis accessories, child-resistant packaging, specialty vaporization solutions and lifestyle products in the United States, Canada, Europe and Latin America, serving a diverse and expansive customer base with thousands of retail locations, licensed cannabis dispensaries, smoke shops, multi-state operators (“MSOs”), specialty retailers, and retail consumers.

We have been developing a portfolio of our own proprietary brands (the “Greenlane Brands”) that we believe will, over time, deliver higher margins and create long-term value for our customers and shareholders. Our wholly-owned Greenlane Brands includes Groove – our more affordable product line and Higher Standards – our premium smoke shop and ancillary product brand, and our award winning Vapor.com website and brand. We also have category exclusive licenses for the premium Marley Natural branded products, as well as the K.Haring branded products.

We are the sole manager of the Operating Company and our principal asset is Common Units of the Operating Company (“Common Units”). As the sole manager of the Operating Company, we operate and control all of the business and affairs of the Operating Company, and we conduct our business through the Operating Company and its subsidiaries. We have a board of directors and executive officers, but no employees. All of our assets are held and all of the employees are employed by wholly owned subsidiaries of the Operating Company.

We have the sole voting interest in, and control the management of, the Operating Company, and we have the obligation to absorb losses of, and receive benefits from, the Operating Company, that could be significant. We determined that the Operating Company is a variable interest entity (“VIE”) and that we are the primary beneficiary of the Operating Company. Accordingly, pursuant to the VIE accounting model, beginning in the fiscal quarter ended June 30, 2019, we consolidated the Operating Company in our consolidated financial statements and reported a non-controlling interest related to the Common Units held by the members of the Operating Company (other than the Common Units held by us) on our consolidated financial statements.

On August 31, 2021, we completed our merger with KushCo Holdings, Inc. (“KushCo”) and have included the results of operations of KushCo in our consolidated statements of operations and comprehensive loss from that date forward. In connection with the merger with KushCo, the Greenlane Certificate of Incorporation was amended and restated (the “A&R Charter”) in order to (i) increase the number of authorized shares of Greenlane Class B common stock, $0.0001 par value per share (the “Class B Common stock”), from 10 million shares to 30 million shares in order to effect the conversion of each outstanding share of Class C common stock, $0.0001 par value per share (the “Class C common stock”), into one-third of one share of Class B common stock, (ii) increase the number of authorized shares of Class A common stock from 125 million shares to 600 million shares, and (iii) eliminate references to the Class C common stock. Pursuant to the terms of an Agreement and Plan of Merger, dated as of March 31, 2021 (the “Merger Agreement”) with KushCo, immediately prior to the consummation of the business combination, holders of Class C common stock received one-third of one share of Class B common stock for each share of Class C common stock held immediately prior to the closing of the merger.

Our corporate structure is commonly referred to as an “Up-C” structure. The Up-C structure allows the Operating Company to continue to realize tax benefits associated with owning interests in an entity that is treated as a partnership, or “pass-through” entity. One of these benefits is that future taxable income of the Operating Company that is allocated to its members will be taxed on a flow-through basis and therefore will not be subject to corporate taxes at the Operating Company entity level. Additionally, because a member may redeem their Common Units for shares of Class A common stock on a one-for-one basis or, at our option, for cash, the Up-C structure also provides the member with potential liquidity that holders of non-publicly traded limited liability companies are not typically afforded.

In connection with the IPO, we entered into a Tax Receivable Agreement (the "TRA") with the Operating Company and the Operating Company's members and a Registration Rights Agreement (the "Registration Rights Agreement") with the Operating Company's members. The TRA provides for the payment by us to the Operating Company's member(s) of 85.0% of the amount of tax benefits, if any, that we may actually realize (or in some cases, are deemed to realize) as a result of (i) the step-up in tax basis in our share of the Operating Company's assets resulting from the redemption of Common Units under the mechanism described above and (ii) certain other tax benefits attributable to payments made under the TRA. Pursuant to the Registration Rights Agreement, we have agreed to register the resale of shares of Class A common stock that are issuable to the Operating Company's members upon redemption or exchange of their Common Units.

The A&R Charter and the Fourth Amended and Restated Operating Agreement of the Operating Company (the "Operating Agreement") require that (a) we at all times maintain a ratio of one Common Unit owned by us for each share of our Class A common stock issued by us (subject to certain exceptions), and (b) the Operating Company at all times maintains (i) a one-to-one ratio between the number of shares of our Class A common stock issued by us and the number of Common Units owned by us, and (ii) a one-to-one ratio between the number of shares of our Class B common stock owned by the non-founder members of the Operating Company and the number of Common Units owned by the non-founder members of the Operating Company.

As of December 31, 2022, all Common Units of the Operating Company and Class B common stock had been exchanged for Class A common stock, and we owned 100% of the voting and economic interests in Greenlane through the holders' ownership of Class A common stock. See "Note 9 - Stockholder's Equity."

Reverse Stock Splits

On June 2, 2023, we filed a Certificate of Amendment to the A&R Charter with the Secretary of State for the State of Delaware ("SSSD"), which effected a one-for-ten reverse stock split (the "2023 Reverse Stock Split" and together with the 2022 Reverse Stock Split, the "Reverse Stock Splits") of our issued and outstanding shares of Common Stock at 5:01 PM Eastern Time on June 5, 2023. As a result of the 2023 Reverse Stock Split, every ten shares of common stock issued and outstanding were converted into one share of common stock. We paid cash in lieu of fractional shares, and accordingly, no fractional shares were issued in connection with the 2023 Reverse Stock Split.

On July 23, 2024, the Board approved the reverse split at a ratio of one-for-11 and the Amendment has been filed with the Secretary of State of the State of Delaware, which became effective on August 5, 2024 at 12:01 AM Eastern Time, before the opening of trading on the Nasdaq.

The Reverse Stock Splits did not change the par value of the Common Stock or the authorized number of shares of Common Stock. All outstanding options, restricted stock awards, warrants and other securities entitling their holders to purchase or otherwise receive shares of our Common Stock have been adjusted as a result of the Reverse Stock Splits, as required by the terms of each security. The number of shares available to be awarded under our Amended and Restated 2019 Equity Incentive Plan have also been appropriately adjusted. See "Note 10 — Compensation Plans" for more information.

All share and per share amounts in these consolidated financial statements and notes thereto have been retroactively adjusted for all periods presented to give effect to the Reverse Stock Splits, including reclassifying an amount equal to the reduction in par value of Common Stock to additional paid-in capital.

Liquidity and Going Concern

Pursuant to ASC 205-40, Presentation of Financial Statements — Going Concern ("ASC 205-40"), management must evaluate whether there are conditions and events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that these condensed consolidated financial statements are issued. In accordance with ASC 205-40, management's analysis can only include the potential mitigating impact of management's plans that have not been fully implemented as of the issuance date if (a) it is probable that management's plans will be effectively implemented on a timely basis, and (b) it is probable that the plans, when implemented, will alleviate the relevant conditions or events that raise substantial doubt about the Company's ability to continue as a going concern.

Our primary requirements for liquidity and capital are working capital, debt service related to recent acquisitions and general corporate needs. Our primary sources of liquidity are our cash on hand and the cash flow that we generate from our operations, as well as proceeds from other equity issuances.

We believe that our cash on hand and the cash flow that we generate from our operations will not be sufficient to fund our working capital and capital expenditure requirements, as well as our debt repayments and other liquidity requirements associated with our existing operations, for the next 12 months. Based on our cash on hand and working capital at September 30, 2024, we may have insufficient cash to fund planned operations into the fourth quarter of 2024. This is evident from our continued efforts to raise capital and leverage external funding to fulfil our capital needs.

ATM Program and Shelf Registration Statement

We formerly used a shelf registration statement on Form S-3 (the "Shelf Registration Statement") to conduct securities offerings from time to time in order to meet our liquidity needs. In August 2021, we filed a prospectus supplement and established an "at-the-market" equity offering program (the "ATM Program") that provided for the sale of shares of our Class A common stock having an aggregate offering price of up to $50 million, from time to time.

Since the launch of the ATM program in August 2021 and through December 31, 2022, we sold shares of our Class A common stock which generated gross proceeds of approximately $12.7 million and we paid fees to the sales agent of approximately $0.4 million. Due to the untimely filing of certain of our Quarterly and Annual Reports, we are unable to issue additional shares of Class A common stock pursuant to the ATM Program or otherwise use the Shelf Registration Statement, which will limit our liquidity options in the capital markets.

Common Stock and Warrant Offerings.

On June 29, 2023, we entered into securities purchase agreements with certain investors, pursuant to which we agreed to issue and sell an aggregate of 560,476 shares of our Class A common stock, pre-funded warrants to purchase up to 3,487,143 shares of our Class A Common Stock (the "July 2023 Pre-Funded Warrants") and warrants to purchase up to 8,095,238 shares of our Class A common stock (the "July 2023 Standard Warrants"). The July 2023 units were offered pursuant to a Registration Statement on Form S-1 (the "July 2023 Offering"). The July 2023 Offering generated gross proceeds of approximately $4.3 million and net proceeds to the Company of approximately $3.8 million and closed on July 3, 2023. See "Note 9 – Stockholders' Equity" for further information.

On August 12, 2024, the Company entered into a securities purchase agreement with a single institutional investor for aggregate gross cash proceeds of $6.5 million. In connection with the private placement, the Company will issue an aggregate of 2,363,637 units and pre-funded units. The pre-funded units will be sold at the same purchase price as the units, less the pre-funded warrant exercise price of $0.00001. Each unit and pre-funded unit will consist of one share of common stock (or one pre-funded warrant) and two common warrants, each exercisable for one share of common stock at an exercise price of $2.50 per share. The common warrant will be exercisable on the initial exercise date described in the common warrant and will expire 5.0 years from such date.

Asset-Based Loan

On August 9, 2022, we entered into an asset-based loan agreement dated as of August 8, 2022 (the "Loan Agreement"), which made available to the Company a term loan of up to $15.0 million. On February 9, 2023, we entered into Amendment No. 2 to the Loan Agreement, in which we agreed to, among other things, voluntarily prepay approximately $6.6 million (inclusive of early termination fees and expenses) under the terms provided for under the Loan Agreement and the lenders under the Loan Agreement agreed to release $5.7 million in funds held in a blocked account pursuant to the terms of the Loan Agreement.

On August 7, 2023, we repaid the approximately $4.3 million in aggregate principal amount (the "Loan Repayment") which remained outstanding under the terms of the Loan Agreement. As a result of the Loan Repayment, the Company has been released from its obligations under the Loan Agreement, in accordance with the terms of the Loan Agreement. See "Note 6 - Long Term Debt" for more information.

ERC Sale

On February 16, 2023, two of our wholly owned subsidiaries, Warehouse Goods LLC and Kim International LLC, entered into an agreement with a third-party institutional investor pursuant to which the investor purchased, for approximately $4.9 million in cash, an economic participation interest, at a discount, in our rights to payment from the United States Internal Revenue Service for certain periods with respect to the employee retention credits filed by us under the Employee Retention Credit program.

Future Receivables Financing

In July, August, October, and November 2023, the Company received an aggregate of approximately $3.9 million in cash pursuant to the terms of future receivables financings (collectively, the “Future Receivables Financings”) entered into with two private lenders. At September 30, 2024, $4.6 million of such financing remained outstanding. See “Note 6 - Long Term Debt” for more information.

Secured Bridge Loan

On September 22, 2023, the Company entered into a secured loan pursuant to a Loan and Security Agreement (the “September 2023 Loan Agreement”), dated as of September 22, 2023 with Synergy Imports, LLC (the “Secured Bridge Loan Lender”).

Pursuant to the September 2023 Loan Agreement, the Secured Bridge Loan Lender agreed to make available to the Company a six-month bridge loan of $2.2 million in new funds. Additionally, the Secured Bridge Loan Lender agreed to defer payments totaling $2,028,604 already owed by the Company under existing payment obligations and potentially defer up to an additional $2,655,778 which may become due pursuant to existing agreements during the term of the September 2023 Loan Agreement.

Subject to certain exceptions, the Company agreed to pledge all of its assets, with the exception of deposit accounts and accounts receivable, as collateral. Additionally, the Company agreed to transfer one US patent and two related foreign patents and a related trademark in exchange for an exclusive license back of such assets in the area of smoking products and accessories in connection with the September 2023 Loan Agreement.

In May 2024, the Company modified its debt agreement with Synergy to reduce the principal balance due by $2.7 million from $5.1 million as part of the Loan Modification Agreement concurrent with the Asset Purchase Agreement. Synergy acquired certain assets from the Company in exchange for the reduction in overall principal owed. At September 30, 2024, $2.7 million of such financing remained outstanding. See “Note 6 - Long Term Debt” for more information.

Note Payable

On June 7, 2024, the Company entered into a subscription agreement with Cobra Alternative Capital Strategies, LLC. As of September 30, 2024, the Company has been loaned $3.1 million with net cash proceeds of $2.6 million. The note was issued with a 20% original issue discount and is due in full on December 7, 2024. See “Note 6 - Long Term Debt” for more information. During the three months ended September 30, 2024, the Company repaid $2.1 million and the remaining outstanding balance was approximately $1.0 million. The Company has elected to measure these notes using the fair value option under ASC 825, Financial Instruments. Given the short-term duration of the notes, the carrying value of the notes at September 30, 2024 approximate the fair value and as such no fair value adjustment was recorded in the statement of operations.

Management Initiatives

We have completed several initiatives to optimize our working capital requirements due to our inability to access capital markets on equitable terms and stock-outs and shortages of higher velocity inventory. In the fourth quarter of 2022, we launched Groove, a new, innovative Greenlane Brands product line, and we also rationalized and improved our third-party brands product offering, which enabled us to reduce inventory carrying costs and working capital requirements while increasing our offerings.

In April 2023, we entered into two strategic partnerships. First, we entered into a strategic partnership (the “MJ Packaging Partnership”) with A&A Global Imports d/b/a MarijuanaPackaging.com (“MJ Pack”), a leading provider of packaging solutions to the cannabis industry. On August 8, 2024 the Company terminated its strategic partnership with MJ Packaging and is resuming its business as a direct provider of packaging solutions to the cannabis industry. MJ Packaging however, remains a distribution customer of the Company.

Second, we entered into a strategic partnership with an affiliate of one of our existing vape suppliers (“Vape Partner”) to service certain key customers with vaporizer goods and services (the “Vape Partnership”). As part of the Vape Partnership, we will introduce our Vape Partner to certain key customers, assist with the promotion and the sale of certain vaporizer goods and services, and help coordinate the logistics, storage and distribution of such vaporizer products. If our Vape Partner and key customer(s) enter into a direct relationship, the customers would directly purchase vaporizer goods and services, which we currently sell them, directly from our Vape Partner and we would no longer need to purchase such vape inventory on behalf of such key customer(s). In exchange we would earn quarterly and annual commission payments from our strategic partner. While the strategic partnership may result in a decrease in top line revenue for these vape products, this partnership combined with some of our other restructuring initiatives should allow us to reduce our overall cost-structure and enhance our margins, thereby improving our balance sheet.

We have successfully renegotiated many of our vendor and supplier partnership terms and are continuing to improve working capital arrangements with our vendors and suppliers. We have made progress consolidating and streamlining our office, warehouse, and distribution operations footprint. We have reduced our workforce significantly to reduce costs and align with our revenue projections.

The Company has incurred net losses of $8.9 million and $27.8 million for the nine months ended September 30, 2024 and 2023, respectively. For the nine months ended September 30, 2024 and 2023, cash (used in) provided by operating activities were $(5.2) million and $1.2 million, respectively. The recent macroeconomic environment has caused weaker demand than contemplated under the Company’s business plan, resulting in a reduction in projected revenue and cash flows for the twelve-month period included in the going concern evaluation.

As a result of our losses and our projected cash needs, combined with our current liquidity level, substantial doubt exists about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is contingent upon successful execution of management's intended plan over the next twelve months to improve the Company's liquidity and profitability, which includes, without limitation:

- Further reducing operating costs expense by taking additional restructuring actions to align cost with revenue to achieve profitability.
- Increasing revenue by introducing new products, acquiring new customers, and enhancing our sales force
- Execute on strategic partnerships accretive to margins and operating cash
- Seeking additional capital through the issuance of debt or equity securities.

The unaudited condensed consolidated financial statements do not include any adjustments that may result from the outcome of this going concern uncertainty. For a more complete description of our initiatives, see the Management Discussion and Analysis.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

Our unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. Certain information and note disclosures normally included in the financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to such rules and regulations. As such, the information included in this Form 10-Q should be read in conjunction with the consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the year ended December 31, 2023. The condensed consolidated results of operations for the three and nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for the year ending December 31, 2024, or any other future annual or interim period. In the opinion of management, the unaudited condensed consolidated financial statements reflect all adjustments necessary for a fair statement of the Company's financial position and operating results. Certain reclassifications have been made to prior year amounts or balances to conform to the presentation adopted in the current year.

Principles of Consolidation

Our condensed consolidated financial statements include our accounts, the accounts of the Operating Company, and the accounts of the Operating Company's consolidated subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

Conformity with U.S. GAAP requires the use of estimates and judgments that affect the reported amounts in our consolidated financial statements and accompanying notes. These estimates form the basis for judgments we make about the carrying values of our assets and liabilities, which are not readily apparent from other sources. We base our estimates and judgments on historical information and on various other assumptions that we believe are reasonable under the circumstances. U.S. GAAP requires us to make estimates and judgments in several areas. Such areas include, but are not limited to the following: the collectability of accounts receivable; the allowance for slow-moving or obsolete inventory; the realizability of deferred tax assets; the fair value of contingent consideration arrangements; the useful lives property and equipment; the calculation of our VAT taxes receivable and VAT taxes, fines, and penalties payable; our loss contingencies, including our TRA liability; and the valuation and assumptions underlying equity-based compensation. These estimates are based on management's knowledge about current events and expectations about actions we may undertake in the future. The actual results could differ materially from those estimates.

Segment Reporting

We manage our global business operations through our operating and reportable business segments. As of September 30, 2024, we determined that we have one remaining and reportable operating business segment. Our reportable segment has been identified based on how our chief operating decision maker ("CODM"), which is a committee comprised of our Chief Executive Officer ("CEO") and our Chief Financial and Legal Officer ("CFO"), manages our business, makes resource allocation and operating decisions, and evaluates operating performance.

Revenue Recognition

Revenue is recognized when customers obtain control of goods and services promised by us. Revenue is measured based on the amount of consideration that we expect to receive in exchange for those goods or services, reduced by promotional discounts and estimates for return allowances and refunds. Taxes collected from customers for remittance to governmental authorities are excluded from net sales.

We generate revenue primarily from the sale of finished products to customers, whereby each product unit represents a single performance obligation. We recognize revenue from product sales when the customer has obtained control of the products, which is either at point of sale or delivery to the customer, depending upon the specific terms and conditions of the arrangement, or at the point of sale for our retail store sales. We provide no warranty on products sold. Product warranty is provided by the manufacturers. For certain product offerings such as child-resistant packaging, closed-system vaporization solutions and custom-branded retail products, we may receive a deposit from the customer (generally 25% - 50% of the total order cost, but the amount can vary by customer contract) when an order is placed by a customer. We typically complete these orders within one to six months from the date of order, depending on the complexity of the customization and the size of the order, but the completion timeline can vary by product type and terms of sales with each customer. See "Note 8—Supplemental Financial Statement Information" for a summary of changes to our customer deposits liability balance during the nine months ended September 30, 2024 and the year ended December 31, 2023.

We estimate product returns based on historical experience and record them as a refund liability that reduces the net sales for the period. We analyze actual historical returns, current economic trends and changes in order volume when evaluating the adequacy of our sales returns allowance in any reporting period. Our liability for returns, which is included within "Accrued expenses and other current liabilities" in our consolidated balance sheet, was approximately $0.1 million December 31, 2023. There were no liabilities related to refunds as of September 30, 2024.

We elected to account for shipping and handling expenses that occur after the customer has obtained control of products as a fulfillment activity in cost of sales. Shipping and handling fees charged to customers are included in net sales upon completion of our performance obligations. We apply the practical expedient provided for by the applicable revenue recognition guidance by not adjusting the transaction price for significant financing components for periods less than one year. We also apply the practical expedient provided by the applicable revenue recognition guidance based upon which we generally expense sales commissions when incurred because the amortization period is one year or less. Sales commissions are recorded within "Salaries, benefits and payroll tax expenses" in the consolidated statements of operations and comprehensive loss.

The Company transitioned to a commission revenue model for the majority of the sales for the Industrial segment. The company operates as a sales agent servicing vape customers and receives a commission for these services. The company was previously working directly with these customers and recognizing gross revenue versus straight commission revenue. The Company recognizes this fee on a periodic basis when the products have been shipped for the end consumer. In working with their partner, the Company is not responsible for fulfilling a promise to provide the specified goods, does not establish the pricing with its partners customers, and does not have control over the goods that will be shipped. As such, the Company is an agent and recognizes its revenue on a net basis for its service. The partner company pays Greenlane a negotiated percentage-based fee on a quarterly basis.

Two customers represented approximately 36% and 27%, respectively, of net sales for the three months ended September 30, 2024. Two customers represented approximately 16% and 16%, respectively, of net sales for the nine months ended September 30, 2024. For the three and nine months ended September 30, 2023, one customer represented approximately 13% and 28% of net sales. As of September 30, 2024 and December 31, 2023, the Company has a concentration of credit risk with its accounts receivable balance as one customer represented approximately 15% and 31%, respectively, of accounts receivable.

Value Added Taxes

During the third quarter of 2020, as part of a global tax strategy review, we determined that our European subsidiaries based in the Netherlands, which we acquired on September 30, 2019, had historically collected and remitted value added tax (“VAT”) payments, which related to direct-to-consumer sales to other European Union (“EU”) member states, directly to the Dutch tax authorities. In connection with our subsidiaries’ payment of VAT to Dutch tax authorities rather than other EU member states, we may become subject to civil or criminal enforcement actions in certain EU jurisdictions, which could result in penalties.

We performed an analysis of the VAT overpayments to the Dutch tax authorities, which we expected to be refunded to us, and VAT payable to other EU member states, including potential fines and penalties. Based on this analysis, we recorded VAT payable of approximately $0.6 and $0.4 million, respectively, relating to this matter within “Accrued expenses and other current liabilities” in our condensed consolidated balance sheets as of September 30, 2024 and December 31, 2023.

Pursuant to the purchase and sale agreement by which we acquired our European subsidiaries, the sellers are required to indemnify us against certain specified matters and losses, including any and all liabilities, claims, penalties and costs incurred or sustained by us in connection with non-compliance with tax laws in relation to activities of the sellers. The indemnity (or indemnification receivable) is limited to an amount equal to the purchase price under the purchase and sale agreement.

As noted above, we have voluntarily disclosed VAT owed to several relevant tax authorities in the EU member states and believe in doing so we will reduce our liability for penalties and interest. Nonetheless, we may incur expenses in future periods related to such matters, including litigation costs and other expenses to defend our position. The outcome of such matters is inherently unpredictable and subject to significant uncertainties. Refer to “Note 7—Commitments and Contingencies” for additional discussion regarding our contingencies.

Recently Issued Accounting Guidance Not Yet Adopted

In June 2022, the FASB issued ASU No. 2022-03, *Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*, which clarifies that a contractual sale restriction prohibiting the sale of an equity security is a characteristic of the reporting entity holding the equity security and is not included in the equity security’s unit of account. This standard is effective for fiscal years beginning after December 15, 2023, with early adoption permitted. The Company is currently evaluating the impact of adopting the standard.

In November 2023, the FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which improves reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. The amendments in this update require public companies to disclose on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and require that a public entity disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition. In addition, the amendment requires that a public entity provide all annual disclosures about a reportable segment’s profit or loss and assets currently required in interim periods and require that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2023-07 on its consolidated financial statements and related disclosures. This amendment will go into effect for the fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024.

In December 2023, the FASB issued ASU No. 2023-09, *Income Taxes (Topic 740)*: *Improvements To Income Tax Disclosures,* to enhance the transparency and decision usefulness of income tax disclosures. The amendments in this Update address investor requests for more transparency about income tax information through improvements to income tax disclosures primarily related to the rate reconciliation and income taxes paid information.

The amendments in this Update require that entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income (or loss) by the applicable statutory income tax rate). In addition, public business entities are required to provide certain qualitative disclosure about the rate reconciliation.

The amendments in this Update require that all entities disclose on an annual basis the amount of income taxes paid (net of refunds received) disaggregated (1) by federal (national), state, and foreign taxes and (2) by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received).

This Update also includes certain other amendments to improve the effectiveness of income tax disclosures, such as requiring that all entities disclose the following information:

1. Income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign.

2. Income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign.

The amendments in this ASU require a cumulative-effect adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets) as of the beginning of the annual reporting period in which an entity adopts the amendments. Early adoption is permitted. The Company is currently evaluating the impact of ASU 2023-09 on its consolidated financial statements and related disclosures. This amendment will go into effect for annual periods beginning after December 15, 2024.

NOTE 3. BUSINESS ACQUISITIONS AND DISPOSITIONS

EU Subsidiary Purchase Agreement

In May 2024, the Company entered into an agreement with a group of individuals to sell 100% equity interests of one of the Company's wholly-owned subsidiaries, Shavita B.V. and substantially all of the assets of ARI Logistics B.V. As of the date that these financial statements were available to be issued, the close of the transaction is in dispute as there was pending consideration obligations due to be transferred to the Company not met, as well as other monetary obligations of the purchasers that remain unsatisfied. The Company intends to vigorously pursue its claims against Shavita and the purchaser group. The Company does not believe any circumstances arising from the ARI and Shavita transactions will have a material adverse effect on the Company, its financial condition or results of operations.

NOTE 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

The carrying amounts for certain of our financial instruments, including cash, accounts receivable, accounts payable and certain accrued expenses and other assets and liabilities, approximate fair value due to the short-term nature of these instruments.

As of December 31, 2023, we had contingent consideration that is required to be measured at fair value on a recurring basis.

Our financial instruments measured at fair value on a recurring basis were as follows at the dates indicated:

	Condensed Consolidated Balance Sheet Caption	Fair Value at December 31, 2023			
(in thousands)		Level 1	Level 2	Level 3	Total
Liabilities:					
Contingent consideration - current	Accrued expenses and other current liabilities	$ —	$ —	1,500	1,500
Total Liabilities		$ —	$ —	$ 1,500	$ 1,500

There were no transfers between Level 1 and Level 2 and no transfers to or from Level 3 of the fair value hierarchy during the three and nine months ended September 30, 2024 and 2023, respectively.

Contingent Consideration

Each period we revalue our contingent consideration obligations associated with business acquisitions to their fair value. We estimate the fair value of the Product Launch Contingent Payments using a form of the scenario-based method, which includes significant unobservable inputs such as management's identification of probability-weighted outcomes and a risk-adjusted discount rate over the earn-out period. Significant increases or decreases in these inputs could result in a significantly lower or higher fair value measurement of the contingent consideration liability. Changes in the fair value of contingent consideration are included within "Other income (expense), net" in our condensed consolidated statements of operations and comprehensive loss.

A reconciliation of our liabilities that are measured and recorded at fair value on a recurring basis using significant unobservable inputs (Level 3) is as follows:

(in thousands)	Nine Months Ended September 30, 2024
Balance at December 31, 2023	$ 1,000
Cash payments for earned contingent consideration	—
Transfer to notes payable	—
Gain from fair value adjustments included in results of operations	(1,000)
Balance September 30, 2024	$ —

(in thousands)	Nine Months Ended September 30, 2023
Balance at December 31, 2022	$ 2,738
Cash payments for earned contingent consideration	(350)
Transfer to notes payable	(1,150)
Loss (gain) from fair value adjustments included in results of operations	262
Balance at September 30, 2023	$ 1,500

Equity Securities Without a Readily Determinable Fair Value

Our investment in equity securities without readily determinable fair value consist of ownership interests in Airgraft Inc., Sun Grown Packaging, LLC ("Sun Grown") and Vapor Dosing Technologies, Inc. ("VIVA"). We determined that our ownership interests do not provide us with significant influence over the operations of these investments. Accordingly, we account for our investments in these entities as equity securities.

Airgraft Inc., Sun Grown, and VIVA are private entities and their equity securities do not have a readily determinable fair value. We elected to measure these securities under the measurement alternative election at cost minus impairment, if any, with adjustments through earnings for observable price changes in orderly transactions for the identical or similar investment of the same issuer. We acquired our investments in Sun Grown and VIVA as part of our merger with KushCo, which we completed in August 2021. We did not identify any fair value adjustments related to these equity securities during the three and nine months ended September 30, 2024 and 2023, respectively.

As of September 30, 2024 and December 31, 2023, the carrying value of our investment in equity securities without a readily determinable fair value was approximately $1.9 million, respectively, included within "Other assets" in our condensed consolidated balance sheets.

NOTE 5. LEASES

Greenlane as a Lessee

As of September 30, 2024, we had facilities financed under operating leases consisting of warehouses and offices with lease term expirations between 2023 and 2027. Lease terms are generally three to seven years for warehouses and office space. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The following table provides details of our future minimum lease payments under operating lease liabilities recorded in our condensed consolidated balance sheet as of September 30, 2024. The table below does not include commitments that are contingent on events or other factors that are currently uncertain or unknown.

(in thousands)		Operating Leases
Remainder of 2024	$	230
2025		942
2026		81
2027		—
2028 and thereafter		—
Total minimum lease payments	$	1,253
Less: imputed interest		41
Present value of minimum lease payments	$	1,212
Less: current portion		886
Long-term portion	$	326

Rent expense under operating leases was approximately $0.3 million and $0.8 million for the three and nine months ended September 30, 2024, respectively, and approximately $0.4 million and $1.5 million for the three and nine months ended September 30, 2023, respectively.

The following expenses related to our operating leases were included in "general and administrative" expenses within our condensed consolidated statements of operations and comprehensive loss:

	For the nine months ended September 30,			
(in thousands)	2024		2023	
Operating lease cost		685		1,474
Variable lease cost		—		461
Total lease cost	$	685	$	1,935

The table below presents lease-related terms and discount rates as of September 30, 2024:

	Operating Leases
Weighted average remaining lease terms	1.3 years
Weighted average discount rate	2.3%

NOTE 6. DEBT

Our debt balance, excluding operating lease liabilities and finance lease liabilities, consisted of the following amounts at the dates indicated:

	As of	
(in thousands)	**September 30, 2024**	**December 31, 2023**
Future Receivables Financing	$ 4,617	$ 2,174
Note payable	1,353	—
Secured Bridge Loan	2,656	5,109
	8,626	7,283
Less unamortized debt issuance costs	—	—
Less current portion of debt	(8,626)	(7,283)
Debt, net, excluding operating and finance leases and liabilities	$ —	$ —

Future Receivables Financings

In July, August, October, and November 2023, the Company received an aggregate of approximately $3.9 million in cash pursuant to the terms of future receivables financings (collectively, the "Future Receivables Financings") entered into with two private lenders. The Company will make weekly payments under the Future Receivables Financings and is scheduled to repay the amounts due under the Future Receivables Financings in full in approximately six to eight months. The total amount to be repaid under the initial Future Receivables Financings was approximately $4.5 million. In connection with the Future Receivables Financings, the Company granted the lenders security interests in Company's accounts receivable equal to the amounts due thereunder, and in connection with any event of default, the lenders may file financing statements evidencing the security interests. During the nine months ended September 30, 2024, the Company's financings were in a series of transactions refinanced as they were not able to make the proscribed monthly payments for the repayment of cash advances. As such the refinancings restructured the payment schedule and the total balance increased to $4.6 million which included deferred financing fees of approximately $2.8 million.

Note Payable

On June 7, 2024, the Company entered into a subscription agreement for a note payable with Cobra Alternative Capital Strategies, LLC. As of September 30, 2024, the Company had been loaned $3.1 million with net cash proceeds of $2.6 million, with an remaining balance due of $1.0 million. The note was issued with a 20% original issue discount and is due in full on December 7, 2024. Upon default, the note can be converted at a variable price equal to 30% discount to the average daily volume weighted average price ("VWAP") for the 20 trading days preceding the date of conversion. As of September 30, 2024, the note is not considered convertible.

Secured Bridge Loan

On September 22, 2023, the Company entered into a secured loan pursuant to a Loan and Security Agreement (the "September 2023 Loan Agreement"), dated as of September 22, 2023 with Synergy Imports, LLC (the "Secured Bridge Loan Lender" or "Synergy").

Pursuant to the September 2023 Loan Agreement, the Secured Bridge Loan Lender agreed to make available to the Company a six-month bridge loan of $2.2 million in new funds. Additionally, the Secured Bridge Loan Lender agreed to defer payments totaling $2,028,604 already owed by the Company under existing payment obligations and potentially defer up to an additional $2,655,778 which may become due pursuant to existing agreements during the term of the September 2023 Loan Agreement.

Subject to certain exceptions, the Company agreed to pledge all of its assets, with the exception of deposit accounts and accounts receivable, as collateral. Additionally, the Company agreed to transfer one US patent and two related foreign patents and a related trademark in exchange for an exclusive license back of such assets in the area of smoking products and accessories in connection with the September 2023 Loan Agreement.

On May 6, 2024, the Company, Warehouse Goods and Synergy entered into an asset purchase agreement, dated May 1, 2024 (the "Asset Purchase Agreement") pursuant to which Synergy purchased all of the intellectual property, a specified amount of inventory, and other assets related to the Eyce and DaVinci brands. In consideration for the acquisition, all parties entered into a loan modification agreement, effective May 1, 2024 (the "Loan Modification Agreement") and an amended and restated secured promissory note, effective May 1, 2024 (the "Amended and Restated Secured Promissory Note"), an amendment to the original Eyce and Davinci Asset Purchase Agreements, a distribution agreement, the termination of a license granted by Eyce, and the termination of certain consulting and employment agreements. As part of the overall modification, the principal balance with Synergy decreased by $2.7 million from $5.1 million. Synergy acquired certain assets from the Company in exchange for the reduction in overall principal owed and as part of the transaction, the Company recognized a gain on the debt modification of $2.2 million. This amount is included in the accompanying financial statements within the statement of operations for the three and nine months ended September 30, 2024 within other income (expense). At September 30, 2024, $2.5 million of such financing remained outstanding. The updated date of maturity will be through the end of 2024.

Future Minimum Principal Payments

The following table summarizes future scheduled minimum principal payments of debt at September 30, 2024. Future debt principal payments are presented based upon the stated maturity dates in the respective debt agreement.

	Year Ending December 31,					
(in thousands)	**Remainder 2024**	**2025**	**2026**	**2027**	**2028**	**Total**
Future Receivables Financing	$ 4,617	$ —	$ —	$ —	$ —	$ 4,617
Note payable	1,353	—	—	—	—	1,353
Secured Bridge Loan	2,656	—	—	—	—	2,656
Total	$ 8,626	$ —	$ —	$ —	$ —	$ 8,626

NOTE 7. COMMITMENTS AND CONTINGENCIES

Legal Proceedings

In the ordinary course of business, we are involved in various legal proceedings involving a variety of matters. We do not believe there are any pending legal proceedings that will have a material adverse effect on our business, consolidated financial position, results of operations, or cash flows. However, the outcome of such legal matters is inherently unpredictable and subject to significant uncertainties. We have not taken any reserves for litigation for the nine months ended September 30, 2024 and 2023, respectively.

Other Contingencies

We are potentially subject to claims related to various non-income taxes (such as sales, value added, consumption, and similar taxes) from various tax authorities, including in jurisdictions in which we already collect and remit such taxes. If the relevant taxing authorities were successfully to pursue these claims, we could be subject to significant additional tax liabilities.

See "Note 5—Leases" for details of our future minimum lease payments under operating lease liabilities. See "Note 11—Incomes Taxes" for information regarding income tax contingencies.

NOTE 8. SUPPLEMENTAL FINANCIAL STATEMENT INFORMATION

ERC Sale

As of December 31, 2022, we had recorded an Employee Retention Credit ("ERC") receivable of $4.9 million within "Other current assets" on our consolidated balance sheets, and a corresponding amount was included in "Other income (expense), net" in our consolidated statement of operations and comprehensive loss for the year ended December 31, 2022. On February 16, 2023, two of Greenlane Holdings, Inc.'s subsidiaries, Warehouse Goods LLC and KIM International LLC (collectively, the "Company"), entered into an agreement with a third-party institutional investor pursuant to which the investor purchased, for approximately $4.9 million in cash, an economic participation interest, at a discount, in all of the Company's rights to payment from the United States Internal Revenue Service with respect to the employee retention credits filed by the Company under the ERC program.

Other Current Assets

The following table summarizes the composition of other current assets as of the dates indicated:

(in thousands)	As of September 30, 2024	As of December 31, 2023
Other current assets:		
VAT refund receivable (Note 2)	$ 224	$ 78
Prepaid expenses	109	1,207
Indemnification receivable, net	7	7
Customs bonds	1,122	1,229
Other	817	798
	$ 2,279	$ 3,319

Accrued Expenses and Other Current Liabilities

The following table summarizes the composition of accrued expenses and other current liabilities as of the dates indicated:

(in thousands)	As of September 30, 2024	As of December 31, 2023
Accrued expenses and other current liabilities:		
VAT payable (including amounts related to VAT matter described in Note 2)	$ 629	$ 313
Contingent consideration	—	1,000
Accrued employee compensation	1,122	861
Accrued professional fees and other expenses	267	499
Refund liability (including accounts receivable credit balances)	—	68
Sales tax payable	507	315
	$ 2,525	$ 3,056

Customer Deposits

For certain product offerings we may receive a deposit from the customer (generally 25% - 50% of the total order cost, but the amount can vary by customer contract), when an order is placed by a customer. We typically complete orders related to customer deposits within one to six months from the date of order, depending on the complexity of the customization and the size of the order, but the order completion timeline can vary by product type and terms of sale with each customer. Changes in our customer deposits liability balance during the nine months ended September 30, 2024 were as follows:

(in thousands)	Customer Deposits
Balance as of December 31, 2023	$ 2,775
Increases due to deposits received, net of other adjustments	—
Customer Overpayments	—
Revenue recognized	(1,520)
Balance as of September 30, 2024	$ 1,255

Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income for the periods presented were as follows:

(in thousands)	Foreign Currency Translation	Unrealized Gain or (Loss) on Derivative Instrument	Total
Balance at December 31, 2023	$ 245	$ —	$ 245
Other comprehensive income	3	—	3
Balance at September 30, 2024	$ 248	$ —	$ 248

(in thousands)	Foreign Currency Translation	Unrealized Gain or (Loss) on Derivative Instrument	Total
Balance at December 31, 2022	$ 55	$ —	$ 55
Other comprehensive income (loss)	183	—	183
Less: Other comprehensive (income) loss attributable to non-controlling interest	—	—	—
Balance at September 30, 2023	$ 238	$ —	$ 238

Supplier Concentration

Our four largest vendors accounted for an aggregate of approximately 43.8% and 18.2% of our total purchases for the three and nine months ended September 30, 2024, respectively, and an aggregate of approximately 89.9% and 82.2% of our total purchases for the three and nine months ended September 30, 2023, respectively.

Related Party Transactions

Nicholas Kovacevich, our former Chief Corporate Development Officer owns capital stock of Blum Holdings Inc. ("Blum"). Net sales to Blum totaled approximately $0.4 million for the year ended December 31, 2022. Total accounts receivable due from Blum were approximately $0.4 million as of September 30, 2024 and December 31, 2023, respectively. On February 8, 2023, we filed a lawsuit against Blum in Superior Court of California, Orange County, seeking to compel the repayment of Blum's open balance due to us. As of the date of these financial statements were available to be issued, there has been a judgement received in favor of the Company.

Three individuals who were employees of the Company at the time are principals in Synergy Imports, LLC the Lender on the Secured Bridge Loan taken out on September 22, 2023, however, none were executive officers or directors of the Company

NOTE 9. STOCKHOLDERS' EQUITY

Shares of our Class A common stock have both voting interests and economic interests (i.e., the right to receive distributions or dividends, whether cash or stock, and proceeds upon dissolution, winding up or liquidation), while shares of our Class B common stock have voting interests but no economic interests. Each share of our Class A common stock, and except as otherwise required in the A&R Charter, the holders of Common Stock will vote together as a single class on all matters (or, if any holders of our preferred stock are entitled to vote together with the holders of Common Stock, as a single class with such holders of preferred stock).

Effective June 5, 2023, we completed a one-for-10 reverse stock split (the "2023 Reverse Stock Split" and together with the 2022 Reverse Stock Split, the "Reverse Stock Splits") of our issued and outstanding shares of Common Stock, as further described in "Note 2 - Summary of Significant Accounting Policies." As a result of the 2023 Reverse Stock Split, every 10 shares of Common Stock issued and outstanding were converted into one share of Common Stock. We paid cash in lieu of fractional shares, and accordingly, no fractional shares were issued in connection with the 2023 Reverse Stock Split.

On June 18, 2024, the Board unanimously approved and declared advisable, and recommended that our stockholders approve at a Special Meeting that took place on July 29, 2024, the adoption of the 2024 Amendment to effect a reverse stock split of our Common Stock at any whole number between, and inclusive of, one-for-two to one-for-twenty. Approval of the Proposed 2024 Reverse Stock Split at the 2024 Special Meeting granted the Board the authority, but not the obligation, to file the 2024 Amendment to effect the Proposed 2024 Reverse Stock Split no later than August 5, 2024, with the exact ratio and timing of the Proposed 2024 Reverse Stock Split to be determined at the discretion of the Board. On July 23, 2024, the Board approved the reverse split at a ratio of one-for-11 and the Amendment has been filed with the Secretary of State of the State of Delaware, that became effective on August 5, 2024 at 12:01 AM Eastern Time, before the opening of trading on the Nasdaq. For additional information about the July 29, 2024 Special Meeting and the 2024 Reverse Stock Split, see the Company's Definitive Proxy Statement filed with the SEC on June 28, 2024 and Form 8-K filed with the SEC on July 31, 2024.

The Reverse Stock Splits did not change the par value of the Common Stock or the authorized number of shares of Common Stock. All share and per share amounts in these unaudited condensed consolidated financial statements and notes thereto have been retroactively adjusted for all periods presented to give effect to the Reverse Stock Splits, including reclassifying an amount equal to the reduction in par value of Common Stock to additional paid-in capital.

Non-Controlling Interest

As discussed in "Note 1—Business Operations and Organization", we consolidate the financial results of the Operating Company in our consolidated financial statements and report a non-controlling interest related to the Common Units held by non-controlling interest holders. As of December 31, 2022, all Common Units of the Operating Company and Class B common stock had been exchanged for Class A common stock, and we owned 100.0% of the economic interests in the Operating Company. The non-controlling interest in the accompanying consolidated statements of operations and comprehensive loss represents the portion of the net loss attributable to the economic interest in the Operating Company previously held by the non-controlling holders of Common Units calculated based on the weighted average non-controlling interests' ownership during the periods presented.

At-the-Market Equity Offering

In August 2021, we established an "at-the-market" equity offering program (the "ATM Program") that provides for the sale of shares of our Class A common stock having an aggregate offering price of up to $50 million, from time to time, through Cowen and Company, LLC ("Cowen"), as the sales agent. Net proceeds from sales of our shares of Class A common stock under the ATM Program are expected to be used for working capital and general corporate purposes.

Sales of our Class A common stock under the ATM Program may be made by means of transactions that are deemed to be an "at the market offering" as defined in Rule 415(a)(4) under the Securities Act, including sales made directly on the Nasdaq Capital Market or sales made to or through a market maker or through an electronic communications network. We are under no obligation to offer and sell shares of our Class A common stock under the ATM Program.

Shares of our Class A common stock will be issued pursuant to our effective shelf registration statement on Form S-3 (File No. 333-257654), and a prospectus supplement relating to the Class A common stock that was filed with the Securities and Exchange Commission on April 18, 2022. Pursuant to Instruction I.B.6, in no event will the Company sell Class A common stock through the ATM Program with a value exceeding more than one-third of the Company's "public float" (the market value of the Company's Class A common stock and any other equity securities that it issues in the future that are held by non-affiliates) in any twelve-month period so long as the Company's public float remains below $75.0 million.

On April 18, 2022, we entered into Amendment No. 1 (the "ATM Amendment") to the sales agreement dated August 2, 2022 with Cowen. The purpose of the Amendment was to add the limitations imposed on the ATM Program by Instruction I.B.6 to the sales agreement. At the time of our entry into the ATM Amendment, approximately $37.3 million in shares remained available for issuance under the ATM Program.

Due to the untimely filing of our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 we are unable to issue additional shares of Class A common stock pursuant to the ATM Program or otherwise use the Shelf Registration Statement for a period of 12 months, which will limit our liquidity options in the capital markets.

The table below summarizes sales of our Class A common stock under the ATM program:

($ in thousands)	August 2021 (Inception) through September 30, 2024	
Class A shares sold		8,842
Gross proceeds	$	12,684
Fees paid to sales agent	$	381
Net proceeds	$	12,303

Common Stock and Warrant Offerings

July 2023 Offering

On June 29, 2023, we entered into securities purchase agreements with certain investors, pursuant to which we agreed to issue and sell an aggregate of 50,952 shares of our Class A common stock, pre-funded warrants to purchase up to 317,013 shares of our Class A common stock (the "July 2023 Pre-Funded Warrants") and warrants to purchase up to 735,931 shares of our Class A common stock (the "July 2023 Standard Warrants"). The July 2023 units each consisted of one share of Class A common stock or a July 2023 Pre-Funded Warrant and two July 2023 Standard Warrants to purchase one share of our Class A common stock. The July 2023 units were offered pursuant to an effective Registration Statement on Form S-1. The July 2023 Standard Warrants are exercisable immediately at an exercise price equal to $1.05 per share of Class A common stock for a period of five years. Each July 2023 Pre-Funded Warrant is exercisable immediately with no expiration date for one share of Class A common stock at an exercise price of $0.0001. The July 2023 Offering generated gross proceeds of approximately $4.3 million and net proceeds to the Company of approximately $3.8 million.

As of the date of this Quarterly Report on Form 10-Q, all July 2023 Pre-Funded Warrants have been exercised, based upon which we issued additional shares of our Class A common stock, for de minimis net proceeds.

In connection with the July 2023 Offering, the Company entered into privately negotiated agreements with holders participating in the offering to amend existing outstanding warrants to purchase up to 122,215 shares of Class A common stock that were previously issued in connection with the June 2022 and October 2022 Offerings at exercise prices per share of $50.00 and $9.00, respectively, and expire on December 29, 2027 and November 1, 2029, respectively (collectively, the "Prior Warrants"), effective upon the closing of the July 2023 Offering to reduce the exercise price of the Prior Warrants to $1.05, the exercise price of the warrants to purchase shares of Class A common stock offered in the July 2023 Offering. All other terms of the Prior Warrants remained unchanged.

August 2024 Private Placement

On August 12, 2024, the Company entered into a securities purchase agreement with a single institutional investor pursuant to which we agreed to issue and sell an aggregate of 58,000 shares of our Class A common stock, pre-funded warrants to purchase up to 2,305,637 shares of our Class A common stock (the "August 2024 Pre-Funded Warrants") and warrants to purchase up to 4,727,274 shares of our Class A common stock (the "August 2024 Standard Warrants"). for aggregate gross cash proceeds of $6.5 million. In connection with the private placement, the Company will issue an aggregate of 2,363,637 units and pre-funded units. The pre-funded units will be sold at the same purchase price as the units, less the pre-funded warrant exercise price of $0.00001. Each unit and pre-funded unit will consist of one share of common stock (or one pre-funded warrant) and two common warrants, each exercisable for one share of common stock at an exercise price of $2.50 per share. The common warrant will be exercisable on the initial exercise date described in the common warrant and will expire 5.0 years from such date.

As of September 30, 2024, there were 2,176,647 warrants that remained unexercised.

Net Loss Per Share

Basic net loss per share of Class A common stock is computed by dividing net loss attributable to Greenlane by the weighted-average number of shares of Class A common stock outstanding during the period. Diluted net loss per share of Class A common stock is computed by dividing net loss attributable to Greenlane by the weighted-average number of shares of Class A common stock outstanding adjusted to give effect to potentially dilutive instruments.

A reconciliation of the numerator and denominator used in the calculation of basic and diluted net loss per share of our Class A common stock is as follows (in thousands, except per share amounts):

	Three months ended September 30,				Nine months ended September 30,			
(in thousands, except per share data)	2024		2023		2024		2023	
Numerator:								
Net loss	$	(3,757)	$	(10,098)	$	(8,882)	$	(27,869)
Less: Net income (loss) attributable to non-controlling interests		—		19		(17)		(27)
Plus: Deemed Dividend on "October 2022 Standard Warrants"		—		(388)		—		(388)
Net loss attributable to Class A common stockholders	$	(3,757)	$	(10,467)	$	(8,899)	$	(28,284)
Denominator:								

Weighted average shares of Class A common stock outstanding	1,647	501	726	265
Net loss per share of Class A common stock - basic and diluted	$ (2.28)	$ (20.89)	$ (12.26)	$ (106.73)

As of September 30, 2024, there were 2,245,629 warrants that remained unexercised which we used in determining the weighted average shares outstanding.

For the three and nine months ended September 30, 2024 and 2023, respectively, stock options and warrants to purchase Class A common stock were excluded from the weighted-average in the computation of diluted net loss per share of Class A common stock because the effect would have been anti-dilutive.

NOTE 10. COMPENSATION PLANS

Amended and Restated 2019 Equity Incentive Plan

In April 2019, we adopted the 2019 Equity Incentive Plan (the "2019 Plan"). In August 2021, we adopted, and our shareholders approved, the Amended and Restated 2019 Equity Incentive Plan (the "Amended 2019 Plan"), which amends and restates the 2019 Plan in its entirety. At our 2022 Annual Meeting of Stockholders on August 4, 2022, stockholders approved the Second Amended and Restated 2019 Equity Incentive Plan (the "Second Amended 2019 Plan") which, among other things, increased the number of shares of Class A common stock authorized for issuance under the Amended 2019 Plan. Following the effect of the Reverse Stock Splits, the total number of shares of Class A common stock authorized for issuance is 10,000 shares.

The Second Amended 2019 Plan provides eligible participants with compensation opportunities in the form of cash and equity incentive awards. The Second Amended 2019 Plan is designed to enhance our ability to attract, retain and motivate our employees, directors, and executive officers, and incentivizes them to increase our long-term growth and equity value in alignment with the interests of our stockholders.

On June 2, 2023, the Company's stockholders approved a third amendment and restatement of the 2019 Plan (the "Third Amended Plan"). The Third Amended Plan, among other things, increases the number of shares of Class A common stock authorized for issuance under the Second Amended 2019 Plan by 19,078 shares to an aggregate of 29,078 shares. As of the date of this Quarterly Report on Form 10-Q, we have not filed a Registration Statement on Form S-8 with the Securities and Exchange Commission to register the additional shares authorized under the Third Amended Plan.

Equity-Based Compensation Expense

Equity-based compensation expense is included within "salaries, benefits and payroll taxes" in our condensed consolidated statements of operations and comprehensive loss. We recognized equity-based compensation expense as follows:

	For the three months ended September 30,		For the nine months ended September 30,	
(in thousands)	2024	2023	2024	2023
Stock options - Class A common stock	$ —	$ (77)	$ —	$ 2
Restricted shares - Class A common stock	—	8	86	29
Total equity-based compensation expense	$ —	$ (69)	$ 86	$ 31

As of September 30, 2024, there was no remaining unrecognized compensation expense.

NOTE 11. INCOME TAXES

As a result of the IPO and the related transactions completed in April 2019, we owned a portion of the Common Units of the Operating Company, which is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, the Operating Company was generally not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by the Operating Company was passed through to and included in the taxable income or loss of its members, including Greenlane, on a pro-rata basis, in accordance with the terms of the Operating Agreement. The Operating Company was also subject to taxes in foreign jurisdictions. We are a corporation subject to U.S. federal income taxes, in addition to state and local income taxes, based on our share of the Operating Company's pass-through taxable income.

Effective on December 31, 2022, the Operating Company became wholly owned by us. As a result, the Operating Company's tax status was converted from a partnership to a disregarded entity. Starting in 2023, 100% of the Operating Company's U.S. income and expenses is included in our US and state tax returns.

During the three and nine months ended September 30, 2024 and 2023, respectively, management performed an assessment of the realizability of our deferred tax assets based upon which management determined that it is not more likely than not that the results of operations will generate sufficient taxable income to realize portions of the net operating loss benefits. Consequently, we established a full valuation allowance against our deferred tax assets and reflected a carrying balance of $0 as of September 30, 2024 and December 31, 2023, respectively. In the event that management determines that we would be able to realize our deferred tax assets in the future in excess of their net recorded amount, an adjustment to the valuation allowance will be made, which would reduce December the provision for income taxes.

Uncertain Tax Positions

For the three and nine months ended September 30, 2024 and 2023, respectively, we did not have any unrecognized tax benefits as a result of tax positions taken during a prior period or during the current period. No interest or penalties have been recorded as a result of tax uncertainties. The Company is subject to audit examination for federal and state purposes for the years 2019 – 2023. As of the date these financial statements were issued, there were not any ongoing income tax audits.

Tax Receivable Agreement (TRA)

We entered into the TRA with the Operating Company and each of the members (other than Greenlane Holdings, Inc.) that provides for the payment by the Operating Company to the members of 85% of the amount of tax benefits, if any, that we may actually realize (or in some circumstances are deemed to realize) as a result of (i) increases in tax basis resulting from any future redemptions of Common Units as described in "Note 1—Business Operations and Organization" and (ii) certain other tax benefits attributable to payments made under the TRA.

The annual tax benefits are computed by calculating the income taxes due, including such tax benefits, and the income taxes due without such benefits. The Operating Company expects to benefit from the remaining 15% of any tax benefits that it may actually realize. The TRA payments are not conditioned upon any continued ownership interest in the Operating Company. The rights of each noncontrolling interest holder under the TRA are assignable to transferees of its interest in the Operating Company. The timing and amount of aggregate payments due under the TRA may vary based on a number of factors, including the amount and timing of the taxable income the Operating Company generates each year and the applicable tax rate.

As noted above, we evaluated the realizability of the deferred tax assets resulting from the IPO and the related transactions completed in April 2019 and established a full valuation allowance against those benefits. As a result, we determined that the amount or timing of payments to noncontrolling interest holders under the TRA are no longer probable or reasonably estimable. Based on this assessment, our TRA liability was $0 as of September 30, 2024 and December 31, 2023.

If utilization of the deferred tax assets subject to the TRA becomes more likely than not in the future, we will record a liability related to the TRA, which would be recognized as expense within our condensed consolidated statements of operations and comprehensive (loss) income.

During the three and nine months ended September 30, 2024 and 2023, respectively, we did not make any payments, inclusive of interest, to members of the Operating Company pursuant to the TRA.

NOTE 12. SUBSEQUENT EVENTS

On October 29, 2024, the Company entered into an Exchange Agreement with its Senior Subordinated Lender, whereby the Company agreed to exchange an aggregate of $4,617,307 of debt originally owed to Agile Capital Funding LLC and Cedar Advance LLC in a 3(a)(9) exchange for new Senior Subordinated Notes in the principal amount of $4,000,000 due one year from issuance (the "Exchange Note"), reducing outstanding indebtedness by approximately $617,000. The Exchange Note is convertible at the option of the holder at $3.17 per share. In connection with the Exchange, the Company issued an aggregate of 1,261,830 five year warrants with an exercise price of $3.04 per share (the "Exchange Warrants").

In addition, pursuant to the terms of the Exchange Agreement, the Company agreed to issue warrants to the Holders, with an initial exercise price of $3.04, exercisable 180 days after issuance (the "Exchange Inducement Warrants"). The Exchange Inducement Warrants were issued to incentivize the holders to exercise some or all of their existing warrants originally issued on August 13, 2024 (the "Existing Warrants") for cash, which existing warrants have an exercise price of $2.50 per share. The Exchange Inducement Warrants are initially exercisable for zero shares, but to the extent that the Holders exercise any of such Existing Warrants during the one-hundred sixty day inducement period, the Exchange Inducement Warrants will become exercisable on April 30, 2025 for 200% of the number of Existing Warrants exercised for cash during such inducement period.

Also, pursuant to the Exchange Agreement, the Senior Subordinated Lender agreed that it will exercise its Existing Warrants for cash prior to exercising any of its outstanding pre-funded warrants, contingent on the market price of the common stock being above $2.50 per share and certain other conditions. The above agreement will terminate upon the Company receiving certain cash proceeds and prepaying at least $2,250,000 of Cobra Alternative Capital Strategies LLC ("Cobra") Notes.

On October 29, 2024, the Company entered into the First Amendment to Amended and Restated Secured Promissory Note (the "Note Amendment") with Cobra. Pursuant to the Note Amendment, Cobra agreed to extend the Maturity Date of its senior promissory note dated May 1, 2024, which is currently due. The new Maturity Date will be October 29, 2025. In consideration for the extension, the Company (i) agreed to make such Notes convertible at the option of Cobra with a conversion price of $3.17 per share, (ii) agreed to prepay Cobra's debt with 50% of any money raised by the Company from warrant exercise proceeds and from capital raise transactions, and (iii) issued Cobra an aggregate of 500,000 five year warrants with an exercise price of $3.04 per share which are identical to the Exchange Warrants.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited condensed consolidated financial statements and related notes of Greenlane Holdings, Inc. and its consolidated subsidiaries ("Greenlane" and, collectively with the Operating Company and its consolidated subsidiaries, the "Company", "we", "us" and "our") for the quarterly period ended September 30, 2024 included in Part I, Item 1 of this Quarterly Report on Form 10-Q, and the audited consolidated financial statements and related notes of Greenlane Holdings, Inc. for the year ended December 31, 2023, which are included in our Annual Report on Form 10-K.

Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q ("Form 10-Q") contains forward-looking statements, within the meaning of the Private Securities Litigation Reform Act of 1995, that involve risks and uncertainties. Many of the forward-looking statements are located in Part I, Item 2 of this Form 10-Q under the heading "Management's Discussion and Analysis of Financial Condition and Results of Operations." Forward-looking statements provide current expectations of future events based on certain assumptions and include any statement that does not directly relate to any historical or current fact. In some cases, you can identify forward-looking statements by terminology such as "anticipate," "estimate," "plan," "project," "continuing," "ongoing," "expect," "believe," "intend," "may," "will," "should," "could" and similar expressions. Examples of forward-looking statements include, without limitation:

- statements regarding our growth and other strategies, results of operations or liquidity;
- statements concerning projections, predictions, expectations, estimates or forecasts as to our business, financial and operational results and future economic performance;
- statements regarding our industry;
- statements of management's goals and objectives;
- statements regarding laws, regulations, and policies relevant to our business;
- projections of revenue, earnings, capital structure and other financial items;
- assumptions underlying statements regarding us or our business; and
- other similar expressions concerning matters that are not historical facts.

Forward-looking statements should not be read as a guarantee of future performance or results and will not necessarily be accurate indications of the times at, or by, which such performance or results will be achieved. Forward-looking statements are based on information available at the time those statements are made or management's good faith belief as of that time with respect to future events and are subject to risks and uncertainties that could cause actual performance or results to differ materially from those expressed in or suggested by the forward-looking statements. Factors that might cause such a difference include those discussed in our filings with the SEC, under the heading "Risk Factors" in our Annual Report on Form 10-KA for the fiscal year ended December 31, 2023 (the "2023 Annual Report") and in other documents that we file from time to time with the Securities and Exchange Commission (the "SEC").

Forward-looking statements involve estimates, assumptions, known and unknown risks, uncertainties and other factors that could cause actual results to differ materially from any future results, performances, or achievements expressed or implied by the forward-looking statements. These risks include, but are not limited to, those listed below and those discussed in greater detail in Part I, Item 1A of the 2023 Annual Report under the heading "Risk Factors."

- the potential delisting of our Class A common stock from Nasdaq;
- our expectations about our ability to fully execute actions and steps that would be probable of mitigating the existence of substantial doubt regarding our ability to continue as a going concern;
- our strategy, outlook and growth prospects;
- general economic trends and trends in the industry and markets in which we operate;
- our dependence on, and our ability to establish and maintain business relationships with, third-party suppliers and service suppliers;
- our ability to access capital;
- the competitive environment in which we operate;
- our vulnerability to third-party transportation risks;
- the impact of governmental laws and regulations and the outcomes of regulatory or agency proceedings;
- our ability to accurately estimate demand for our products and maintain appropriate levels of inventory;
- our ability to maintain or improve our operating margins and meet sales expectations;
- our ability to adapt to changes in consumer spending and general economic conditions, including the current inflationary environment;
- our ability to use or license certain trademarks;
- our ability to maintain consumer brand recognition and loyalty of our products;
- our and our customers' ability to establish or maintain banking relationships;
- fluctuations in U.S. federal, state, local and foreign tax obligation and changes in tariffs;
- our ability to address product defects;
- our exposure to potential various claims, lawsuits and administrative proceedings;
- contamination of, or damage to, our products;

- any unfavorable scientific studies on the long-term health risks of vaporizers, electronic cigarettes, or cannabis or hemp-derived products, including CBD;
- failure of our information technology systems to support our current and growing business;
- our ability to prevent and recover from internet security breaches;
- our ability to generate adequate cash from our existing business to support our growth;
- our ability to raise capital on favorable terms, or at all, to support the continued growth of the business;
- our ability to protect our intellectual property rights;
- our dependence on continued market acceptance of our products by consumers;
- our sensitivity to global economic conditions and international trade issues;
- our ability to comply with certain environmental, health and safety regulations;
- our ability to successfully identify and complete strategic acquisitions;
- natural disasters, adverse weather conditions, operating hazards, environmental incidents and labor disputes;
- increased costs as a result of being a public company; and
- our failure to maintain adequate internal controls over financial reporting.

Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition or operating results.

The forward-looking statements speak only as of the date on which they are made, and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. In addition, we cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. Consequently, you should not place undue reliance on forward-looking statements.

Overview

Founded in 2005, Greenlane is the premier global platform for the development and distribution of premium cannabis accessories, vape devices, and lifestyle products. In 2021, we completed several acquisitions along with a transformative merger with KushCo Holdings, adding a significant industrial line of business to the Greenlane platform. These acquisitions strengthened our leading position as a consumer ancillary products business and significantly expanded our customer network, bringing strategic relationships with leading cannabis multi-state-operators (“MSOs”), cannabis single-state operators (“SSOs”), and Canadian licensed-producers (“LPs”). Greenlane is a leading ancillary cannabis company, providing a wide array of consumer ancillary products and industrial ancillary products to thousands of cannabis producers, processors, brands, and retailers (“related Cannabis Operators”), in addition to specialty retailers, smoke shops and head shops, convenience stores, and consumers directly through our own proprietary web stores and large online marketplaces such as Amazon.

We have been developing a world-class portfolio of our own proprietary brands (the “Greenlane Brands”) and carefully curated third-party products that we believe will, over time, deliver higher margins and create long-term value for our customers and shareholders. Our wholly-owned Greenlane Brands includes our recently launched more affordable product line – Groove, innovative silicone pipes and accessories and premium ancillary product brand – Higher Standards. We also have category exclusive licenses for the premium Marley Natural branded products, as well as the K. Haring Glass Collection.

Since the end of 2021, the Company has invested significantly in technology, including its e-commerce platforms, internal ERP systems, and B2B capabilities. Our world-class product portfolio is offered to customers through our proprietary, owned and operated e-commerce platforms which include Vapor.com, PuffItUp.com, HigherStandards.com, MarleyNaturalShop.com and Wholesale.Greenlane.com. These platforms allow us to reach customers directly with helpful resources and a seamless purchasing experience.

We merchandise vaporizers, packaging, and other ancillary products in the United States, Canada, Europe and Latin America. We distribute products to retailers through wholesale operations and distribute products to consumers through our e-commerce platforms We operate our own distribution centers in the United States, while also utilizing third-party logistics (“3PL”) locations in Canada. We have made tremendous progress consolidating and streamlining our warehouse and distribution operations over the last two years.

We manage our business in two different, but complementary, business segments. The first is the Consumer Goods segment, which focuses on serving consumers across wholesale, retail, and e-commerce operations—offering both our Greenlane Brands as well as ancillary products and accessories from select leading third-party brands, such as Storz and Bickel, Grenco Science, PAX, Arizer and more. The Consumer Goods segment forms a central part of our growth strategy, especially as it relates to scaling our own portfolio of higher-margin proprietary owned brands. In addition to our Consumer Goods segment, we have our Industrial Goods segment, which focuses on serving Cannabis Operators by providing ancillary products essential to their daily operations and growth, such as packaging and vaporization solutions, including our Greenlane Brand Pollen Gear. Refer to “Note 12— Segment Reporting” within this Form 10-Q for additional information on our reportable segments.

Plan to Accelerate Path to Profitability and Capitalize the Business

In today's economic landscape, particularly within the cannabis industry, achieving profitability and preserving working capital are paramount. At Greenlane, we are intensely focused on making our business profitable and well-capitalized for long-term sustainability. Our key initiatives include:

1. Technology Enhancements: We remain fully committed to improving our technology, particularly our B2B and e-commerce platforms, to provide a seamless shopping experience for our wholesale and retail customers.

2. Facility Footprint Rationalization: In 2023 and 2024, we optimized our facilities footprint by reducing warehouse and office space while increasing operational efficiency and improving fulfillment practices. The full benefit of those efforts are expected to be realized in 2024.

3. Headcount Reduction: We have significantly reduced our headcount and associated salary expenses, focusing on maintaining a core group of key employees as we collectively right-size the business.

4. Cost Structure Optimization: We continue to reduce our overall cost structure while improving margins. In April 2023, we formed two strategic partnerships (described below in greater detail) to increase margins and significantly reduce working capital requirements in our Industrial Goods segment. Similarly, our Consumer Goods segment restructured arrangements with several third-party brands in 2022 and 2023 to reduce our working capital needs.

5. Inventory Management: In 2023, we implemented a new inventory management and lifecycle strategy that is focused on a quarterly turn and a regular review of inventory to avoid future write-offs.

6. Sales Force Upgrade: We have upgraded and will continue to upgrade our sales force from a solely account management centric team to a skilled and driven sales team to acquire new customers while maintaining excellent service with our existing customers

7. Product Innovation: We launched Groove, an innovative new product line with a value-based price point and in 2024 we have begun to expand our product offering to further enhance our assortment available to our customers.

8. Capital Investment: We continue to seek opportunities for securing investment capital to leverage our platform, increase availability and reduce stockouts of our high demand third-party brands, invest in marketing and sales, and improve our product offerings.

Management believes that these initiatives will significantly reduce costs, help accelerate the Company's path to profitability, support business growth, and allow the Company to reinvest capital into its highest demand and highest potential product lines.

During 2023 and 2024, the Company received capital from various sources permitting it to right-size the business and position the company for growth. Such sources are described in greater detail in the Liquidity and Capital Resources Section of this report.

During 2023 and 2024, the Company also entered into certain arrangements to reduce working capital requirements and improve its balance sheet.

In April 2023, we entered into two strategic partnerships. First, we entered into a strategic partnership (the "MJ Packaging Partnership") with A&A Global Imports d/b/a MarijuanaPackaging.com ("MJ Pack"), a leading provider of packaging solutions to the cannabis industry. On August 8, 2024 the Company terminated its strategic partnership with MJ Packaging and is resuming its business as a direct provider of packaging solutions to the cannabis industry. MJ Packaging however, remains a distribution customer of the Company. Second, we entered into a strategic partnership with an affiliate of one of our existing vape suppliers ("Vape Partner") to service certain key customers with vaporizer goods and services (the "Vape Partnership"). As part of the Vape Partnership, we will introduce our Vape Partner to certain key customers, assist with the promotion and the sale of certain vaporizer goods and services, and help coordinate the logistics, storage and distribution of such vaporizer products. If our Vape Partner and key customer(s) enter into a direct relationship, the customers would directly purchase vaporizer goods and services, which we currently sell them, directly from our Vape Partner and we would no longer need to purchase such vape inventory on behalf of such key customer(s). In exchange we would earn quarterly and annual commission payments from our strategic partner. While the strategic partnership may result in a decrease in top line revenue for these vape products, this partnership combined with some of our other restructuring initiatives should allow us to reduce our overall cost-structure and enhance our margins, thereby improving our balance sheet.

On May 6, 2024, the Company, Warehouse Goods and Synergy entered into an asset purchase agreement, dated May 1, 2024 (the “Asset Purchase Agreement”) pursuant to which Synergy purchased all of the intellectual property, a specified amount of inventory, and other assets related to the Eyce and DaVinci brands. In consideration for the acquisition, all parties entered into a loan modification agreement, effective May 1, 2024 (the “Loan Modification Agreement”) and an amended and restated secured promissory note, effective May 1, 2024 (the “Amended and Restated Secured Promissory Note”), an amendment to the original Eyce and Davinci Asset Purchase Agreements, a distribution agreement, the termination of a license granted by Eyce, and the termination of certain consulting and employment agreements. As part of the overall modification, the principal balance with Synergy decreased by $2.7 million from $5.1 million. Synergy acquired certain assets from the Company in exchange for the reduction in overall principal owed and as part of the transaction, the Company recognized a gain on the debt modification of $2.2 million. This amount is included in the accompanying financial statements within the statement of operations for the three and nine months ended September 30, 2024 within other income (expense). At September 30, 2024, $2.7 million of such financing remained outstanding. As of the filing date of this statement and as a result of restructuring efforts, the maturity of this note is October 2025.

USPS PACT Act Exemption

On January 11, 2022, we announced via press release that the United States Postal Service (the “USPS”) had approved our application for a business and regulatory exemption to the PACT Act (with respect to the business and regulatory exemption granted by the USPS, the “PACT Act Exemption”), allowing us to ship vaporizers and accessories classified as electronic nicotine delivery systems (“ENDS”) products to other compliant businesses. With this approval, over 97% of our total annual sales became eligible for shipment by freight, USPS and other major parcel carriers. The PACT Act Exemption also enables us to partner with other businesses that ship ENDS products and had their supply chains disrupted by PACT Act compliance.

On June 24, 2022, we provided via press release an update on the progress of the PACT Act Exemption, following our successful implementation of the controls, processes and systems required by the USPS in connection with the shipment of ENDS products. We expect the ability to fulfill ENDS orders with the USPS to allow us to reduce shipping costs, decrease fulfillment times and enhance the overall customer experience for approved wholesale customers.

Reverse Stock Split

On June 2, 2023, we filed a Certificate of Amendment to the A&R Charter with the SSSD, which effected a one-for-10 reverse stock split (the “2023 Reverse Stock Split” and together with the 2022 Reverse Stock Split, the “Reverse Stock Splits”) of our issued and outstanding shares of Common Stock at 5:01 PM Eastern Time on June 5, 2023. As a result of the 2023 Reverse Stock Split, every 10 shares of common stock issued and outstanding were converted into one share of common stock. We paid cash in lieu of fractional shares, and accordingly, no fractional shares were issued in connection with the 2023 Reverse Stock Split.

The Reverse Stock Split did not change the par value of the Common Stock or the authorized number of shares of Common Stock. All outstanding options, restricted stock awards, warrants and other securities entitling their holders to purchase or otherwise receive shares of our Common Stock have been adjusted as a result of the Reverse Stock Split, as required by the terms of each security. The number of shares available to be awarded under our Second Amended and Restated 2019 Equity Incentive Plan have also been appropriately adjusted. See “Note 10 — Compensation Plans” for more information.

On July 23, 2024, the Board approved the reverse split at a ratio of one-for-11 and the Amendment has been filed with the Secretary of State of the State of Delaware, which became effective on August 5, 2024 at 12:01 AM Eastern Time, before the opening of trading on the Nasdaq.

All share and per share amounts were retroactively adjusted for all periods presented to give effect to the Reverse Stock Split.

Critical Accounting Estimates

We prepare our consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). The preparation of these financial statements requires us to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. We evaluate our estimates and assumptions on an ongoing basis. We base our estimates on historical experience, outside advice from parties believed to be experts in such matters, and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Judgments and uncertainties affecting the application of those policies may result in materially different amounts being reported under different conditions or using different assumptions. See “Note 2—Summary of Significant Accounting Policies” of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for a description the significant accounting policies and methods used in the preparation of our consolidated financial statements.

Inventories

Inventories, consisting of finished products, are primarily accounted for using the weighted-average method, and are valued at the lower of cost and net realizable value. This valuation requires us to make judgments, based on currently available information, about the likely method of disposition, such as through sales to customers or liquidations. Assumptions about the future disposition of inventory are inherently uncertain and changes in our estimates and assumptions may cause us to realize material write-downs in the future.

Income Taxes and TRA Liability

We are a corporation subject to income taxes in the United States. Certain subsidiaries of the Operating Company are taxable separately from us. Our proportional share of the Operating Company's subsidiaries' provisions are included in our consolidated financial statements.

As of December 31, 2022, we held all the outstanding Common Units in the Operating Company and are the sole member. As a result, in 2023, 100% of the Operating Company's US and state income and expenses are now included in our US and state tax returns.

Our deferred income tax assets and liabilities are computed for differences between the tax basis and financial statement amounts that will result in taxable or deductible amounts in the future. We compute deferred balances based on enacted tax laws and applicable rates for the periods in which the differences are expected to affect taxable income. A valuation allowance is recognized for deferred tax assets if it is more likely than not that some portion or all of the net deferred tax assets will not be realized. In making such a determination, we consider all available positive and negative evidence, including future reversals of existing taxable temporary differences, projected future taxable income, tax-planning strategies, and results of recent operations. If we determine we would be able to realize our deferred tax assets for which a valuation allowance had been recorded, then we would adjust the deferred tax asset valuation allowance, which would reduce our provision for income taxes.

We evaluate the tax positions taken on income tax returns that remain open and positions expected to be taken on the current year tax returns to identify uncertain tax positions. Unrecognized tax benefits on uncertain tax positions are recorded on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the largest amount of tax benefit that is more than 50 percent likely to be realized is recognized. Interest and penalties related to unrecognized tax benefits are recorded in income tax benefit. We have no uncertain tax positions that qualify for inclusion in our consolidated financial statements.

In addition to tax expenses, we may incur expenses related to our operations and may be required to make payments under the Tax Receivable Agreement (the "TRA"), which could be significant. Pursuant to the Greenlane Operating Agreement, Greenlane Holdings, LLC will generally make pro rata tax distributions to its members in an amount sufficient to fund all or part of their tax obligations with respect to the taxable income of Greenlane Holdings, LLC that is allocated to them and possibly in excess of such amount.

Recent Accounting Pronouncements

See "Note 2—Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of our Form 10-K filed on July 19, 2024.

Results of Operations

The following table presents operating results for the three and nine months ended September 30, 2024 and 2023:

	Three Months Ended September 30,						Nine Months Ended September 30,					
			% of Net sales		Change				% of Net sales		Change	
	2024	2023	2024	2023	$	%	2024	2023	2024	2023	$	%
Net sales	4,038	11,800	100.0%	100.0%	$(7,762)	(65.8)%	11,616	55,384	100.0%	100.0%	$(43,768)	(79.0)%
Cost of sales	1,011	8,671	25.0%	73.5%	(7,660)	(88.3)%	6,066	42,162	52.2%	76.1%	(36,096)	(85.6)%
Gross profit	3,027	3,129	75.0%	26.5%	(102)	(3.3)%	5,550	13,222	47.8%	23.9%	(7,672)	(58.0)%
Operating expenses:												
Salaries, benefits and payroll taxes	1,609	4,059	39.8%	34.4%	(2,450)	(60.4)%	6,066	14,586	52.2%	26.3%	(8,520)	(58.4)%
General and administrative	1,771	5,433	43.9%	46.0%	(3,662)	(67.4)%	6,864	20,209	59.1%	36.5%	(13,345)	(66.0)%
Depreciation and amortization	185	524	4.6%	7.4%	(339)	(64.7)%	635	1,492	5.5%	2.7%	(857)	(57.4)%
Total operating expenses	3,565	10,016	88.3%	84.8%	(6,451)	(64.4)%	13,565	36,287	116.8%	65.5%	(22,722)	(62.6)%
Loss from operations	(538)	(6,887)	(13.3)%	(58.3)%	6,349	(92.2)%	(8,015)	(23,065)	(69.0)%	(41.6)%	15,050	(65.3)%
Other income (expense), net:												
Interest expense	(3,219)	(3,415)	(79.7)%	(28.9)%	196	(5.7)%	(4,030)	(5,148)	(34.7)%	(9.3)%	1,118	(21.7)%
Change in fair value of contingent consideration	-	-	-	-	-	-%	1,000	-	8.6%	-	1,000	100.0%
Gain on extinguishment of debt	-	-	-	-	-	-%	2,166	-	18.6%	-	2,166	100.0%
Other income (expense), net	-	204	-	1.7%	(204)	(100)%	(3)	338	-%	0.6%	(341)	(100.9)%
Total other expense, net	(3,219)	(3,211)	(79.7)%	(27.2)%	(8)	0.2%	(867)	(4,810)	(7.5)%	(8.7)	3,943	(82.0)
Loss before income taxes	(3,757)	(10,098)	(93.0)%	(85.5)%	6,341	(62.8)%	(8,882)	(27,875)	(76.5)%	(50.3)%	18,993	(68.1)%
Provision for (benefit from) income taxes	-	-	-%	—%	-	-%	-	(6)	-%	—%	6	(100.0)%
Net loss	(3,757)	(10,098)	(93.0)%	(85.5)%	6,341	(62.8)%	(8,882)	(27,869)	(76.5)%	(50.3)%	18,987	(68.1)%
Net income (loss) attributable to non-controlling interest	-	19	-	0.2%	(19)	(100.0)%	(17)	(27)	(0.1)%	(0.2)%	10	(37.0)%
Net loss attributable to Greenlane Holdings, Inc.	$(3,757)	$(10,117)	(93.0)%	(85.7)%	$ 6,360	(62.9)%	$ (8,865)	$(27,842)	(76.4)%	(50.1)%	18,977	(68.2)%

Consolidated Results of Operations

Net Sales

For the three months ended September 30, 2024, net sales were approximately $4.0 million, compared to approximately $11.8 million for the same period in 2024, representing a decrease of $7.8 million, or 65.8%. The year-over-year decrease in net sales was due to a major restructuring of our Industrial Group in April of 2023, involving our packaging and industrial vaping product lines; transitioning much of this business from a gross sales to a commission structure to preserve working capital. Revenues decreased in the Consumer Brands Group due, in part, to restructuring efforts and shift in strategy to focus on in-house brands that carry a higher margin profile while rationalizing third-party brand offerings, which generated top line revenue with lower margins. The consumer products were affected by the inability to access capital markets on equitable terms, resulting in stock-outs and shortages of higher velocity inventory. The Company is continuing to focus on profitable revenue and as a result top line revenue has significantly been reduced. Concurrently, the Company has continued its focus on right-sizing the business during the fiscal year ended December 31, 2023 and through present, in an effort to reduce sales and marketing costs and reduce or eliminate certain administrative functions.

For the nine months ended September 30, 2024, net sales were approximately $11.6 million, compared to approximately $55.4 million for the same period in 2024, representing a decrease of $43.8 million, or 79.0%. The year-over-year decrease in net sales was due to a major restructuring of our Industrial Group in April of 2023, involving our packaging and industrial vaping product lines; transitioning much of this business from a gross sales to a commission structure to preserve working capital. Revenues decreased in the Consumer Brands Group due, in part, to restructuring efforts and shift in strategy to focus on in-house brands that carry a higher margin profile while rationalizing third-party brand offerings, which generated top line revenue with lower margins. The consumer products were affected by the inability to access capital markets on equitable terms, resulting in stock-outs and shortages of higher velocity inventory. The Company is continuing to focus on profitable revenue and as a result top line revenue has significantly been reduced. Concurrently, the Company has continued its focus on right-sizing the business during the fiscal year ended December 31, 2023 and through present, in an effort to reduce sales and marketing costs and reduce or eliminate certain administrative functions.

Cost of Sales and Gross Margin

For the three months ended September 30, 2024, cost of sales decreased by $7.7 million, or 88.3%, as compared to the same period in 2023. The decrease in the cost of sales is driven by the 65.8% decrease in revenue in addition to a decrease in damaged and obsolete inventory write-offs.

For the nine months ended September 30, 2024, cost of sales decreased by $36.1 million, or 85.6%, as compared to the same period in 2023. The decrease in the cost of sales is driven by the 79.0% decrease in revenue in addition to a decrease in damaged and obsolete inventory write-offs.

Gross margin percentage increased 48.4% to 75.0% for the three months ended September 30, 2024, compared to 26.5% for the same period in 2023.

Gross margin percentage increased 23.9% to 47.8% for the nine months ended September 30, 2024, compared to 23.9% for the same period in 2023.

Salaries, Benefits and Payroll Taxes

Salaries, benefits and payroll taxes expenses decreased by approximately $2.5 million, or 60.4%, to $1.6 million for the three months ended September 30, 2024, compared to $4.1 million for the same period in 2023. The decrease is related to the reduction in workforce to right-size the business and focus on profitability.

Salaries, benefits and payroll taxes expenses decreased by approximately $8.5 million, or 58.4%, to $6.1 million for the nine months ended September 30, 2024, compared to $14.6 million for the same period in 2023. The decrease is related to the reduction in workforce to right-size the business and focus on profitability.

As we continue to closely monitor the evolving business landscape, we remain focused on identifying cost-saving opportunities while delivering on our strategy to recruit, train, promote and retain the most talented and success-driven personnel in the industry.

General and Administrative Expenses

General and administrative expenses decreased by approximately $3.7 million, or 67.4%, for the three months ended September 30, 2024, compared to the same period in 2023. The decrease is related to major restructuring effort by the Company to reduce cost and right-size the business. Compared with the first quarter of 2023, the Company focused on reduction across the board in general and administrative expenses and saw large decreases in professional and outside services, facility expenses, outbound freight, other general and administrative, marketing, taxes and licenses, and general insurance.

General and administrative expenses decreased by approximately $13.3 million, or 66.0%, for the nine months ended September 30, 2024, compared to the same period in 2023. The decrease is related to major restructuring effort by the Company to reduce cost and right-size the business. Compared with the first quarter of 2023, the Company focused on reduction across the board in general and administrative expenses and saw large decreases in professional and outside services, facility expenses, outbound freight, other general and administrative, marketing, taxes and licenses, and general insurance.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased $0.3 million, or 64.7%, for the three months ended September 30, 2024, compared to the same period in 2023. The decrease is related to a major restructuring effort to reduce cost and right-size the business resulting in the sale and disposal of assets related to reducing our warehousing and office footprint.

Depreciation and amortization expense decreased $0.9 million, or 57.4%, for the nine months ended September 30, 2024, compared to the same period in 2023. The decrease is related to a major restructuring effort to reduce cost and right-size the business resulting in the sale and disposal of assets related to reducing our warehousing and office footprint.

Other Income (Expense), Net

Interest expense.

Interest expense decreased approximately $0.2 million for the three months ended September 30, 2024 compared to the same period in 2023. The decrease is primarily related to reduction in overall debt financing and refinancing debt for more favorable terms.

Interest expense decreased approximately $1.1 million for the nine months ended September 30, 2024 compared to the same period in 2023. The decrease is primarily related to reduction in overall debt financing and refinancing debt for more favorable terms.

Change in fair value of contingent consideration

There was a change in fair value of contingent consideration of approximately $1.0 million for the nine months ended September 30, 2024 compared to the same period in 2023. The change is primarily related to known reductions in earnouts related to Davinci and Eyce products.

Gain on debt extinguishment

There was an increase in gain on debt extinguishment of approximately $2.2 million for the nine months ended September 30, 2024, compared to the same period in 2023. The change is primarily related to a difference in the reduction in overall debt modification with Synergy, offset by the carrying value of the Davinci and Eyce assets acquired by Synergy. For further information, see Note 6, “Debt” of the Notes to Condensed Consolidated Financial Statements in Part I, Item 1 of this Form 10-Q.

Provision for (Benefit from) Income Taxes

For the three and nine months ended September 30, 2024 and 2023, respectively, the effective tax rate differed from the U.S. federal statutory tax rate of 21% primarily due to the Operating Company’s pass-through structure for U.S. income tax purposes (through December 31, 2022), the relative mix in earnings and losses in the U.S. versus foreign tax jurisdictions, and the valuation allowance against the deferred tax asset.

Liquidity, Capital Resources and Going Concern

Our primary requirements for liquidity and capital are working capital, debt service related to recent acquisitions and general corporate needs. Our primary sources of liquidity are our cash on hand and the cash flow that we generate from our operations, as well as proceeds other equity issuances. As of September 30, 2024, we had approximately $2.3 million of cash, of which none was restricted and $0.1 million was held in foreign bank accounts, and approximately $2.5 million of negative working capital, which is calculated as total current assets minus total current liabilities, as compared to approximately $0.5 million of cash, of which $0.1 million was held in foreign bank accounts, and approximately $3.7 million of working capital as of December 31, 2023. The repatriation of cash balances from our foreign subsidiaries could have adverse tax impacts or be subject to capital controls; however, these balances are generally available to fund the ordinary business operations of our foreign subsidiaries without legal or other restrictions.

We believe that our cash on hand and the cash flow that we generate from our operations will not be sufficient to fund our working capital and capital expenditure requirements, as well as our debt repayments and other liquidity requirements associated with our existing operations, for the next 12 months. Based on our cash on hand and working capital at September 30, 2024, we may have insufficient cash to fund planned operations into the fourth quarter of 2024. This is evident from our continued efforts to raise capital and leverage external funding to fulfil our capital needs as highlighted below.

ATM Program and Shelf Registration Statement

We formerly used a shelf registration statement on Form S-3 (the “Shelf Registration Statement”) to conduct securities offerings. In August 2021, we filed a prospectus supplement and established an “at-the-market” equity offering program (the “ATM Program”) that provided for the sale of shares of our Class A common stock having an aggregate offering price of up to $50 million, from time to time.

Since the launch of the ATM program in August 2021 and through December 31, 2022, we sold shares of our Class A common stock which generated gross proceeds of approximately $12.7 million and we paid fees to the sales agent of approximately $0.4 million. Due to the untimely filing of certain of our Quarterly and Annual Reports, we are unable to issue additional shares of Class A common stock pursuant to the ATM Program or otherwise use the Shelf Registration Statement.

Common Stock and Warrant Offerings

On June 29, 2023, we entered into securities purchase agreements with certain investors, pursuant to which we agreed to issue and sell an aggregate of 50,952 shares of our Class A common stock, pre-funded warrants to purchase up to 317,013 shares of our Class A Common Stock (the “July 2023 Pre-Funded Warrants”) and warrants to purchase up to 735,931 shares of our Class A common stock (the “July 2023 Standard Warrants”). The July 2023 units were offered pursuant to a Registration Statement on Form S-1 (the “July 2023 Offering”). The July 2023 Offering generated gross proceeds of approximately $4.3 million and net proceeds to the Company of approximately $3.8 million and closed on July 3, 2023.

On August 12, 2024, the Company entered into a securities purchase agreement with a single institutional investor for aggregate gross cash proceeds of $6.5 million. In connection with the private placement, the Company will issue an aggregate of 2,363,637 units and pre-funded units. The pre-funded units will be sold at the same purchase price as the units, less the pre-funded warrant exercise price of $0.00001. Each unit and pre-funded unit will consist of one share of common stock (or one pre-funded warrant) and two common warrants, each exercisable for one share of common stock at an exercise price of $2.50 per share. The common warrant will be exercisable on the initial exercise date described in the common warrant and will expire 5.0 years from such date.

Asset-Based Loan

On August 9, 2022, we entered into an asset-based loan agreement dated as of August 8, 2022 (the “Loan Agreement”), which made available to the Company a term loan of up to $15.0 million. On February 9, 2023, we entered into Amendment No. 2 to the Loan Agreement, in which we agreed to, among other things, voluntarily prepay approximately $6.6 million (inclusive of early termination fees and expenses) under the terms provided for under the Loan Agreement and the lenders under the Loan Agreement agreed to release $5.7 million in funds held in a blocked account pursuant to the terms of the Loan Agreement.

On August 7, 2023, we repaid the approximately $4.3 million in aggregate principal amount (the “Loan Repayment”) which remained outstanding under the terms of the Loan Agreement. As a result of the Loan Repayment, the Company has been released from its obligations under the Loan Agreement, in accordance with the terms of the Loan Agreement. See “Note 6 - Long Term Debt” for more information.

ERC Sale

On February 16, 2023, two of our wholly owned subsidiaries, Warehouse Goods LLC and KIM International LLC, entered into an agreement with a third-party institutional investor pursuant to which the investor purchased, for approximately $4.9 million in cash, an economic participation interest, at a discount, in our rights to payment from the United States Internal Revenue Service for certain periods with respect to the employee retention credits filed by us under the Employee Retention Credit program.

Future Receivables Financings

In July, August, October, and November 2023, the Company received an aggregate of approximately $3.9 million in cash pursuant to the terms of future receivables financings (collectively, the “Future Receivables Financings”) entered into with two private lenders. See “Note 6 - Long Term Debt” for more information.

Notes Payable

On June 7, 2024, the Company entered into a subscription agreement with Cobra Alternative Capital Strategies, LLC. As of September 30, 2024, the Company has been loaned $3.1 million with net cash proceeds of $2.6 million with a remaining balance of $1.0 million. The note was issued with a 20% original issue discount and is due in full on December 7, 2024. See “Note 6 - Long Term Debt” for more information.

Management Initiatives

We have completed several initiatives to optimize our working capital requirements. We launched Groove, a new, innovative Greenlane Brands product line, and we also rationalized our third-party brands product offering, which enables us to reduce inventory carrying costs and working capital requirements.

In April 2023, we entered into two strategic partnerships. First, we entered into a strategic partnership (the “MJ Packaging Partnership”) with A&A Global Imports d/b/a MarijuanaPackaging.com (“MJ Pack”), a provider of packaging solutions to the cannabis industry. On August 8, 2024 the Company terminated its strategic partnership with MJ Packaging and is resuming its business as a direct provider of packaging solutions to the cannabis industry. MJ Packaging however, remains a distribution customer of the Company. Second, we entered into a strategic partnership with an affiliate of one of our existing vape suppliers (“Vape Partner”) to service certain key customers with vaporizer goods and services (the “Vape Partnership”). As part of the Vape Partnership, we will introduce our Vape Partner to certain key customers, assist with the promotion and the sale of certain vaporizer goods and services, and help coordinate the logistics, storage and distribution of such vaporizer products. If our Vape Partner and key customer(s) enter into a direct relationship, the customers would directly purchase vaporizer goods and services, which we currently sell them, directly from our Vape Partner and we would no longer need to purchase such vape inventory on behalf of such key customer(s). In exchange we would earn quarterly and annual commission payments from our strategic partners. While the strategic partnership may result in a decrease in top line revenue for these vape products, this partnership combined with some of our other restructuring initiatives should allow us to reduce our overall cost-structure and enhance our margins, thereby improving our balance sheet.

We have successfully renegotiated supplier partnership terms and are continuing to improve working capital arrangements with suppliers. We have made progress consolidating and streamlining our office, warehouse, and distribution operations footprint. We have reduced our workforce by approximately 49% throughout fiscal year 2023 to reduce costs and align with our revenue projections.

We have incurred net losses of $8.9 million and $27.8 million for the nine months ended September 30, 2024 and 2023, respectively. For the nine months ended September 30, 2024, cash used in operating activities was $5.2 million and cash used in operating activities for the year ended December 31, 2023 was $1.8 million. The recent macroeconomic environment has caused weaker demand than contemplated under our business plan, resulting in a reduction in projected revenue and cash flows for the twelve-month period included in the going concern evaluation.

As a result of our losses and our projected cash needs, combined with our current liquidity level, substantial doubt exists about the Company’s ability to continue as a going concern. The Company’s ability to continue as a going concern is contingent upon successful execution of management’s intended plan over the next twelve months to improve the Company’s liquidity and profitability, which includes, without limitation:

- Further reducing operating costs expense by taking additional restructuring actions to align cost with revenue to achieve profitability.
- Increasing revenue by introducing new products and acquiring new customers.
- Execute on strategic partnerships accretive to margins and operating cash
- Seeking additional capital through the issuance of debt or equity securities.

Our opinions concerning liquidity are based on currently available information. To the extent this information proves to be inaccurate, or if circumstances change, future availability of trade credit or other sources of financing may be reduced and our liquidity could be adversely affected. Our future capital requirements and the adequacy of available funds will depend on many factors, including those described in the section titled “Risk Factors” in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2023. Depending on the severity and direct impact of these factors on us, we may be unable to secure additional financing to meet our operating requirements on terms favorable to us, or at all.

As of September 30, 2024, we did not have any off-balance sheet arrangements that are reasonably likely to have a material current or future effect on our financial condition, results of operations, liquidity, capital expenditures, or capital resources.

Cash Flows

The following summary of cash flows for the periods indicated has been derived from our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q:

	Nine Months Ended September 30,	
(in thousands)	2024	2023
Net cash (used in) provided by operating activities	$ (5,232)	$ 4,656
Net cash used in investing activities	(173)	(253)
Net cash provided by (used in) financing activities	7,248	(12,133)

Net Cash (Used in) Provided by Operating Activities

During the nine months ended September 30, 2024, net cash used in operating activities of $5.2 million consisted of a net loss of $8.8 million, offset partially by non-cash adjustments to the net loss of $1.0 million and a $1.2 million decrease in working capital driven by decreases in inventories of $4.2 million and decreases in accrued expenses of $0.5 million reduced by a decrease in customer deposits of $1.5 million and an increase in accounts receivable of $0.7 million.

During the nine months ended September 30, 2023, net cash "provided" by operating activities of approximately $1.2 million consisted of a net loss of $27.9 million offset by non-cash adjustments to net loss of approximately $4.4 million and a $24.7 million increase in working capital driven by an $18 million decrease in inventory, a $4.7 million decrease in accounts receivable, and a $4.0 million decrease in other assets reduced by a $3.1 million decrease in accounts payable.

Net Cash Used in Investing Activities

During the nine months ended September 30, 2024, net cash used in investing activities of approximately $0.2 million consisted primarily of capital expenditures.

During the nine months ended September 30, 2023, net cash provided by investing activities of approximately $0.6 million , offset by cash used for development costs for our new enterprise resource planning (ERP) system of $0.6 million.

Net Cash Provided bv (Used in) Financing Activities

During the nine months ended September 30, 2024, net cash provided by financing activities of approximately $7.2 million primarily consisted of approximately $0.9 million in payments on loans against future accounts receivable, approximately $0.2 million in proceeds from future receivables financing, approximately $2.1 million in proceeds from notes payable, $3.0 in repayments on notes payable, and $5.6 million in net proceeds from the issuance of common stock.

During the nine months ended September 30, 2023, net cash provided by financing activities of approximately $10.5 million primarily consisted of cash proceeds of approximately $3.9 million from the issuance of Class A common stock through our ATM Program and the June 2022 Offering, offset primarily by approximately $2.5 million in payments on notes payable, finance lease obligations and other long-term liabilities, and approximately $0.3 million in payments of contingent consideration related to the Eyce LLC acquisition.

Cybersecurity

Risk Management and Strategy

We recognize the critical importance of developing, implementing, and maintaining robust cybersecurity measures to safeguard our information systems and protect the confidentiality, integrity, and availability of our data.

Managing Material Risks & Integrated Overall Risk Management

We have strategically integrated cybersecurity risk management into our broader risk management framework to promote a company-wide culture of cybersecurity risk management. This integration ensures that cybersecurity considerations are an integral part of our decision-making processes at every level. Our management team continuously evaluates and addresses cybersecurity risks in alignment with our business objectives and operational needs.

Oversee Third-party Risk

Because we are aware of the risks associated with third-party service providers, we have implemented stringent processes to oversee and manage these risks. We conduct thorough security assessments of all third-party providers before engagement and maintain ongoing monitoring to ensure compliance with our cybersecurity standards. The monitoring includes annual assessments of the SOC reports of our providers and implementing complementary controls. This approach is designed to mitigate risks related to data breaches or other security incidents originating from third-parties.

Risks from Cybersecurity Threats

We have not encountered cybersecurity challenges that have materially impaired our operations or financial standing.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required.

ITEM 4. CONTROLS AND PROCEDURES

Management's Evaluation of Disclosure Controls and Procedures

We have established disclosure controls and procedures as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow for timely decisions regarding disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. Accordingly, even effective disclosure controls and procedures can only provide reasonable assurance of achieving their control objectives.

Under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures as of September 30, 2024. Based upon their evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of September 30, 2024, our disclosure controls and procedures were not effective because of the material weaknesses in our internal control over financial reporting described in Item 9A of Part II of our Annual Report on Form 10-K for the year ended December 31, 2023, which have not yet been remediated as of September 30, 2024.

Material Weaknesses Remediation Plan and Status

As previously described in Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2021, we began implementing a remediation plan to address the material weaknesses identified in the prior year, and our management continues to be actively engaged in the remediation efforts.

As previously disclosed, in 2020, we began a multi-year implementation of a new ERP system, which will replace our existing core financial systems, and which was completed in 2023. Management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures, based upon which, management focused its allocation of organizational resources to ensure the successful implementation of the new ERP system during 2023, and is continuing to add additional processes for the design and implementation of effective control activities. Conversely, management noted limited efforts related to re-designing user access roles and permissions in the legacy ERP system. Based on these considerations, and subject to management's ongoing assessment, we do not expect that the previously reported material weaknesses related to ineffective user access controls will be considered remediated until our new ERP system has been fully utilize to its potential and we have properly set controls in place. Additionally, to remediate the identified material weaknesses, we are continuing to take the following remediation actions:

- implement enhancements to company-wide risk assessment processes and to process and control documentation;
- enhance the Company's review and sign-off procedures for IT implementations;
- implement additional review procedures designed to enhance the control owner's execution of control activities, including entity level controls, through the implementation of improved documentation standards evidencing execution of these controls, oversight, and training;
- improve control activities and procedures associated with certain accounting areas, including proper segregation of duties and assigning personnel with the appropriate experience as preparers and reviewers over analyses relating to such accounting areas;
- educate and train control owners regarding internal control processes to mitigate identified risks and maintain adequate documentation to evidence the effective design and operation of such processes;
- and implement enhanced controls to monitor the effectiveness of the underlying business process controls that are dependent on the data and financial reports generated from the relevant information systems.

We are also continuing to evaluate additional controls and procedures that may be required to remediate the identified material weaknesses. We cannot provide assurances that the previously reported material weaknesses will be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively.

Changes in Internal Control Over Financial Reporting

As discussed above, in 2020 we began a multi-year implementation of a new ERP system which fully replaced our legacy financial systems in 2023. The ERP system is designed to accurately maintain the Company's financial records, enhance the flow of financial information, improve data management and provide timely information to our management team. Subsequent to implementation of the new ERP system, we are continuing to change certain processes and procedures which, in turn, are expected to result in changes to our internal control over financial reporting. As such changes occur, we will evaluate quarterly whether such changes materially affect our internal control over financial reporting.

There were no other changes to our internal control over financial reporting that occurred during the quarter ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For a description of our material pending legal proceedings, see Note 7 of the Notes to Condensed Consolidated Financial Statements included in Part I, Item 1 of this Quarterly Report on Form 10-Q.

ITEM 1A. RISK FACTORS

There have been no material changes from the risk factors disclosed in the Company's Annual Report on Form 10-K for the year ended December 31, 2023, filed with the SEC on July 19, 2024, except as set forth below.

There is substantial doubt about our ability to continue as a going concern through the next 12 months from the date of the condensed consolidated financial statements in this Quarterly Report on Form 10-Q.

The Company has incurred net losses of $8.9 million and $27.8 million for the nine months ended September 30, 2024 and the prior year comparable period, respectively. For the nine months ended September 30, 2024, cash used in operating activities was $5.2 million, and cash used in operating activities for the year ended December 31, 2023 was $1.8 million. Based on our cash on hand and working capital at September 30, 2024, we may have insufficient cash to fund planned operations into the fourth quarter of 2024. As a result of our losses and our projected cash needs, combined with our current liquidity level, substantial doubt exists about the Company's ability to continue as a going concern over the next 12 months. The recent macroeconomic environment has caused weaker demand than contemplated under the Company's business plan, resulting in a reduction in projected revenue and cash flows for the twelve-month period included in the going concern evaluation.

Our ability to continue as a going concern is contingent upon successful execution of management's intended plan over the next twelve months to improve the our liquidity and profitability, which includes, without limitation:

- Further reducing operating costs expense by taking additional restructuring actions to align cost with revenue
- Increasing revenue by introducing new products and acquiring new customers.
- Execute on strategic partnerships accretive to margins and operating cash
- Seeking additional capital through the issuance of equity securities or obtaining debt financing.

There can be no assurance that any such measures will be successful. If we are not successful in improving our liquidity position and the profitability of our operations, we may need to consider all strategic alternatives, including seeking additional debt or equity capital, reducing or delaying our business activities and strategic initiatives, or selling assets, other strategic transactions and/or other measures, including receivership or, to the extent available, bankruptcy protection. In addition, the perception that we may not be able to continue as a going concern may cause vendors and customers to choose not to do business with us due to concerns about our ability to meet our contractual obligations. If we seek additional financing to fund our operations and there remains substantial doubt about our ability to continue as a going concern, our financing sources may be unwilling to provide additional funding to us on commercially reasonable terms or at all. The consolidated financial statements do not include any adjustments that may result from the outcome of this going concern uncertainty. Such adjustments could be material.

We have failed, and may continue to fail, to meet the listing standards of Nasdaq, and as a result our Class A common stock may become delisted, which could have a material adverse effect on the liquidity of our Class A common stock.

If we fail to continue to satisfy the continued listing requirements of Nasdaq, such as the corporate governance or public float requirements, or the minimum closing bid price requirement, Nasdaq will take steps to de-list our Class A common stock. As a result of several factors, including but not limited to our financial performance, market sentiment about the cannabis industry, volatility in the financial markets generally due to the tightening of monetary policy by the Board of Governors of the United States Federal Reserve Bank (the "Federal Reserve") and other geopolitical events, events such as the ongoing wars around the world, the per share price of our Class A common stock has declined below the minimum bid price threshold required for continued listing. Such a de-listing would likely have a negative effect on the price of our Class A common stock and would impair your ability to sell or purchase our Class A common stock when you wish to do so, as well as adversely affect our ability to issue additional securities and obtain additional financing in the future.

On August 21, 2023, we received a letter from the staff of Nasdaq indicating that we were not in compliance with Nasdaq Listing Rule 5450(a)(1) because the closing bid price per share for our Class A common stock had closed below $1.00 for the previous 30 consecutive business days (the "Minimum Bid Price Requirement"). We were given 180 days, or until February 20, 2024 to regain compliance with the Minimum Bid Price Requirement. We also filed an application to transfer the listing of our Class A common stock from the Nasdaq Global Market to the Nasdaq Capital Market, which transfer was approved and occurred on February 9, 2024. As a result of the transfer, we became eligible to request an additional an additional 180-day compliance period.

On February 21, 2024, Nasdaq notified us in writing that while we had not regained compliance with the Minimum Bid Price Requirement, we were eligible for an additional 180-day compliance period, or until August 19, 2024, to regain compliance with the Minimum Bid Price Requirement. Nasdaq's determination was based on us having met the continued listing requirement for market value of publicly held shares and all other applicable requirements for initial listing on The Nasdaq Capital Market, with the exception of the Minimum Bid Price Requirement, and on our written notice to Nasdaq of our intention to cure the deficiency during the second compliance period by effecting a reverse stock split, if necessary.

If we do not regain compliance during the second 180-day period, then Nasdaq will notify us of its determination to delist our Class A common stock, at which point we would have an opportunity to appeal the delisting determination to a hearings panel. We would remain listed on Nasdaq pending the hearings panel's decision. There can be no assurance that, if we do appeal the delisting determination by Nasdaq to the hearings panel, that such appeal would be successful.

On January 24, 2024, Gina Collins gave notice of her resignation from our Board of Directors and from each committee of the Board, effective immediately. Ms. Collins was an independent director, and as a result of her resignation, we no longer comply with the majority independent board requirement of Nasdaq as set forth in Nasdaq Listing Rule 5605(b)(1) because independent directors do not comprise a majority of the Board of Directors, and Nasdaq's audit committee requirements as set forth in Nasdaq Listing Rule 5605(c)(2)(A) because the Audit Committee of the Board of Directors is not comprised of at least three independent directors.

On January 29, 2024, in accordance with Nasdaq Listing Rules, we notified Nasdaq of Ms. Collins' resignation and the resulting non-compliance. On January 30, 2024, we received a notice from Nasdaq acknowledging the fact that we do not meet the requirements of such rules. In accordance with Nasdaq Listing Rules 5605(b)(1)(A) and 5605(c)(4), to regain compliance with the Nasdaq Listing Rules, we have until the earlier of our next annual stockholders meeting or January 24, 2025.

On April 18, 2024, we received a notice from Nasdaq stating that because we had not yet filed our Annual Report on Form 10-K for the fiscal year ended December 31, 2023, we were no longer in compliance with Nasdaq Listing Rule 5250(c)(1). Nasdaq Listing Rule 5250(c)(1) requires listed companies to timely file all required periodic financial reports with the Securities and Exchange Commission.

On May 21, 2024, we received a notice from Nasdaq stating that because we had not yet filed our Quarterly Report on Form 10-Q for the fiscal quarter ended March 31, 2024, we were no longer in compliance with Nasdaq Listing Rule 5250(c)(1).

The Company had 60 calendar days from April 18, 2024, or until June 17, 2024, to regain compliance by filing the Form 10-K and the Form 10-Q or to submit to Nasdaq a plan to regain compliance with the Nasdaq Listing Rules. We timely submitted the plan to regain compliance to Nasdaq and Nasdaq granted us additional time to file the Form 10K and 10Q. As of the date of this filing we have filed both the 10K and 10Q within the additional time period granted.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
4.1	Form of July 2023 Standard Warrant (Incorporated by reference to Exhibit 4.1 to Greenlane's Current Report on Form 8-K, filed on July 3, 2023).
4.2	Form of July 2023 Pre-Funded Warrant (Incorporated by reference to Exhibit 4.2 to Greenlane's Current Report on Form 8-K, filed on July 3, 2023).
4.3	Form of July 2023 Warrant Amendment (Incorporated by reference to Exhibit 4.3 to Greenlane's Current Report on Form 8-K, filed on July 3, 2023).
10.1	Form of July 2023 Securities Purchase Agreement (Incorporated by reference to Exhibit 10.1 to Greenlane's Current Report on Form 8-K, filed on July 3, 2023).
10.2	Placement Agency Agreement, dated as of June 29, 2023 (Incorporated by reference to Exhibit 10.2 to Greenlane's Current Report on Form 8-K, filed on July 3, 2023).
10.3	Loan and Security Agreement, dated as of September 22, 2023, between Greenlane and Synergy Imports, LLC. (Incorporated by reference to Exhibit 10.3 to Greenlane's Quarterly Report on Form 10-Q, filed on January 9, 2024).
10.4	Secured Promissory Note, dated as of September 22, 2023, between Greenlane and Synergy Imports, LLC. (Incorporated by reference to Exhibit 10.4 to Greenlane's Quarterly Report on Form 10-Q, filed on January 9, 2024).
10.5	Asset Purchase Agreement, effective May 1, 2024, by and among Greenlane Holdings, Inc, Warehouse Goods LLC and Synergy Imports LLC (Incorporated by reference to Exhibit 10.1 to Greenlane's Current Report on Form 8-K, filed on May 10, 2024).
10.6	Loan Modification Agreement, effective May 1, 2024, by and among Warehouse Goods LLC, Synergy Imports LLC and the Guarantors as defined therein (Incorporated by reference to Exhibit 10.2 to Greenlane's Current Report on Form 8-K, filed on May 10, 2024).
10.7	Amended and Restated Secured Promissory Note, effective May 1, 2024, by Warehouse Goods LLC and Synergy Imports LLC (Incorporated by reference to Exhibit 10.3 to Greenlane's Current Report on Form 8-K, filed on May 10, 2024).
10.8	Subscription Agreement, effective June 7, 2024, by Warehouse Goods LLC and Greenlane Holdings, Inc.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Chief 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.
101*	The following materials from the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2024, were formatted in Inline XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets, (ii) Condensed Consolidated Statements of Operations and Comprehensive Loss, (iii) Condensed Consolidated Statements of Stockholders' Equity, and (iv) Condensed Consolidated Statements of Cash Flows. The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
104*	Cover Page Interactive Data File – the cover page XBRL tags are embedded within the Inline XBRL.

* Filed herewith.
**Schedules and exhibits have been omitted from this exhibit pursuant to Item 601(a)(5) of Regulation S-K. The registrant hereby undertakes to furnish copies of any of the omitted schedules and exhibits upon request by the U.S. Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GREENLANE HOLDINGS, INC.

Date: August 14, 2024

By: */s/ Barbara Sher*

Barbara Sher Chief Executive Officer
(Principal Executive Officer)

GREENLANE HOLDINGS, INC.

Date: August 14, 2024

By: */s/ Lana Reeve*

Lana Reeve Chief Financial and Legal Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Barbara Sher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Greenlane Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2024

/s/ Barbera Sher

Barbara Sher
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Lana Reeve, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Greenlane Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Designed such internal control over financial reporting, or caused such control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 14, 2024

/s/ Lana Reeve
Lana Reeve
Chief Financial and Legal Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION 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 Quarterly Report of Greenlane Holdings, Inc. (the "Company") on Form 10-Q for the quarterly period ended September 30, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Barbara Sher, the Chief Executive Officer of the Company, and I, Lana Reeve, the Chief Financial Officer of the Company, certify, to our knowledge, pursuant to 18 U.S.C. §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 Section 15(d) of the Securities Exchange Act of 1934, as amended; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 14, 2024

/s/ Barbara Sher
Barbara Sher
Chief Executive Officer
(Principal Executive Officer)

/s/ Lana Reeve
Lana Reeve
Chief Financial Officer
(Principal Financial Officer)