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 March 31, 2023

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

For the transition period from____ to ____

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 Global Market

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☐

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 May 12, 2023, Greenlane Holdings, Inc. had15,993,137 shares of Class A common stock and15,993.137 shares of Series A Preferred Stock outstanding.

Greenlane Holdings, Inc.
Form 10-Q
For the Quarterly Period Ended March 31, 2023

TABLE OF CONTENTS

PART I

ITEM 1. FINANCIAL STATEMENTS (UNAUDITED)

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

	March 31, 2023	December 31, 2022
ASSETS	(Unaudited)	
Current assets		
Cash	$ 5,872	$ 6,458
Restricted cash	—	5,718
Accounts receivable, net of allowance of $ 4,767 and $4,826 at March 31, 2023 and December 31, 2022, respectively	7,856	6,468
Inventories, net	37,043	40,643
Vendor deposits	5,299	6,296
Other current assets (Note 8)	6,724	11,120
Total current assets	62,794	76,703
Property and equipment, net	10,709	11,062
Intangible assets, net	47,949	49,268
Operating lease right-of-use assets	2,936	3,442
Other assets	5,593	5,578
Total assets	$ 129,981	$ 146,053
LIABILITIES		
Current liabilities		
Accounts payable	$ 16,999	$ 14,953
Accrued expenses and other current liabilities (Note 8)	12,884	11,882
Customer deposits	3,224	3,983
Current portion of notes payable	2,699	3,185
Current portion of operating leases	1,179	1,528
Current portion of finance leases	128	128
Total current liabilities	37,113	35,659
Notes payable, less current portion and debt issuance costs, net	5,535	13,040
Operating leases, less current portion	1,730	1,887
Finance leases, less current portion	29	29
Other liabilities	80	79
Total long-term liabilities	7,374	15,035
Total liabilities	44,487	50,694
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; 15,985 shares issued and outstanding as of March 31, 2023; 15,985 shares issued and outstanding as of December 31, 2022	152	152
Class B common stock, $0.0001 par value per share, 30,000 shares authorized; 0 shares issued and outstanding as of March 31, 2023; 0 shares issued and outstanding as of December 31, 2022	—	—
Additional paid-in capital	266,721	266,516
Accumulated deficit	(181,559)	(171,365)
Accumulated other comprehensive income (loss)	233	55
Total stockholders' equity attributable to Greenlane Holdings, Inc.	85,547	95,358
Non-controlling interest	(53)	1
Total stockholders' equity	85,494	95,359
Total liabilities and stockholders' equity	$ 129,981	$ 146,053

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

	Three months ended March 31,	
	2023	**2022**
Net sales	$ 23,959	$ 46,534
Cost of sales	18,440	40,566
Gross profit	5,519	5,968
Operating expenses:		
Salaries, benefits and payroll taxes	5,370	10,061
General and administrative	7,677	11,715
Depreciation and amortization	1,992	2,403
Total operating expenses	15,039	24,179
Loss from operations	(9,520)	(18,211)
Other income (expense), net:		
Interest expense	(815)	(406)
Other income (expense), net	88	(54)
Total other income (expense), net	(727)	(460)
Loss before income taxes	(10,247)	(18,671)
Provision for (benefit from) income taxes	1	78
Net loss	(10,248)	(18,749)
Less: Net loss attributable to non-controlling interest	(54)	(3,417)
Net loss attributable to Greenlane Holdings, Inc.	$ (10,194)	$ (15,332)
Net loss attributable to Class A common stock per share - basic and diluted (Note 9)*	$ (0.64)	$ (3.40)
Weighted-average shares of Class A common stock outstanding - basic and diluted (Note 9)*	15,986	4,509
Other comprehensive income:		
Foreign currency translation adjustments	178	88
Unrealized gain on derivative instrument	—	358
Comprehensive loss	(10,070)	(18,303)
Less: Comprehensive loss attributable to non-controlling interest	—	(3,331)
Comprehensive loss attributable to Greenlane Holdings, Inc.	$ (10,070)	$ (14,972)

*After giving effect to the one-for-20 2022 Reverse Stock Split effective August 9, 2022.

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

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

	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 December 31, 2022	15,985	$ 152	—	$ —	$ 266,516	$ (171,365)	$ 55	$ 1	$ 95,359
Net loss	—	—	—	—	—	(10,194)	—	(54)	(10,248)
Equity-based compensation	—	—	—	—	110		—	—	110
Issuance of Class A shares - Amended Eyce APA (Note 3)	—	—	—	—	95	—	—	—	95
Other comprehensive income	—	—	—	—	—	—	178	—	178
Balance March 31, 2023	**15,985**	**$ 152**	**—**	**$ —**	**$ 266,721**	**$ (181,559)**	**$ 233**	**$ (53)**	**$ 85,494**

	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 December 31, 2021	4,260	$ 43	1,087	$ —	$ 229,705	$ (55,544)	$ 324	$ 21,836	$ 196,364
Net loss	—	—	—	—	—	(15,332)	—	(3,417)	(18,749)
Equity-based compensation	94	1	—	—	729	—	—	172	902
Issuance of Class A shares, net of costs - ATM Program	557	6	—	—	6,795	—	—	—	6,801
Issuance of Class A shares - contingent consideration	191	2	—	—	3,484	—	—	—	3,486
Exchanges of noncontrolling interest for Class A common stock	28	—	(28)	—	543	—	—	(543)	—
Other comprehensive income	—	—	—	—	—	—	361	85	446
Balance March 31, 2022	**5,130**	**$ 52**	**1,059**	**$ —**	**$ 241,256**	**$ (70,876)**	**$ 685**	**$ 18,133**	**$ 189,250**

*After giving effect to the one-for-20 2022 Reverse Stock Split effective August 9, 2022.

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 three months ended March 31,	
	2023	**2022**
Cash flows from operating activities:		
Net loss (including amounts attributable to non-controlling interest)	$ (10,248)	$ (18,749)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	1,992	2,403
Equity-based compensation expense	205	874
Change in provision for doubtful accounts	—	227
Gain related to indemnification asset	—	(1,798)
Unrealized (gain) loss on equity investments	—	302
Other	222	(183)
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Decrease (increase) in accounts receivable	(1,388)	(5,440)
Decrease (increase) in inventories	3,600	(1,545)
Decrease (increase) in vendor deposits	997	5,990
Decrease (increase) in other current assets	4,396	(3,624)
(Decrease) increase in accounts payable	1,904	5,859
(Decrease) Increase in accrued expenses and other liabilities	962	4,748
(Decrease) increase in customer deposits	(759)	(1,087)
Net cash provided by (used in) operating activities	1,883	(12,023)
Cash flows from investing activities:		
Purchases of property and equipment, net	(176)	(784)
Proceeds from sale of assets held for sale	—	75
Net cash provided by (used in) investing activities	(176)	(709)
Cash flows from financing activities:		
Proceeds from issuance of Class A common stock, net of costs	—	6,801
Payments on Eyce and DaVinci promissory notes	(945)	(992)
Repayments of Asset-Based Loan	(6,493)	—
Modification costs of Asset-Based Loan	(751)	—
Other	—	(135)
Net cash provided by (used in) financing activities	(8,189)	5,674
Effects of exchange rate changes on cash	178	145
Net (decrease) in cash	(6,304)	(6,913)
Cash and restricted cash, as of beginning of the period	12,176	12,857
Cash and restricted cash, as of end of the period	$ 5,872	$ 5,944

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

Reconciliation of cash and restricted cash to consolidated balance sheets

	For the three months ended March 31,	
	2023	2022
Beginning of the period		
Cash	$ 6,458	$ 12,857
Restricted cash	5,718	—
Total cash and restricted cash, beginning of period	$ 12,176	$ 12,857
End of the period		
Cash	$ 5,872	$ 5,944
Restricted cash	—	—
Total cash and restricted cash, end of period	$ 5,872	$ 5,944
Supplemental disclosures of cash flow information		
Cash paid for amounts included in the measurement of lease liabilities	$ 563	$ 802
Non-cash investing and financing activities:		
Issuance of Class A common stock for business acquisitions	$ —	$ 3,486
Non-cash purchases of property and equipment	$ 143	$ 1,663
Decrease in non-controlling interest as a result of exchanges for Class A common stock	$ —	$ (543)

The accompanying notes are an integralpart 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 (the “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 through both our e-commerce platforms and our flagship Higher Standards store in New York City’s famed Chelsea Market.

We have been developing a world-class 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 recently launched more affordable product line, Eyce – our innovative silicone pipes and accessories line, DaVinci – our best-in-class premium vaporizer brand, and Higher Standards – our premium smoke shop and ancillary product 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 a wholly owned subsidiary 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 previously announced 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 (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."

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, 2022. The condensed consolidated results of operations for the three months ended March 31, 2023 are not necessarily indicative of the results that may be expected for the year ending December 31, 2023, or any other future annual or interim period. 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.

2022 Reverse Stock Split

On August 4, 2022, we filed a Certificate of Amendment (the "Certificate of Amendment") to the A&R Charter with the Secretary of State of the State of Delaware, which effected a one-for-20 reverse stock split (the "2022 Reverse Stock Split") of our issued and outstanding shares of Class A common stock and Class B common stock (the "Common Stock") at 5:01 PM Eastern Time on August 9, 2022. As a result of the 2022 Reverse Stock Split, every 20 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 2022 Reverse Stock Split.

The 2022 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 were adjusted as a result of the 2022 Reverse Stock Split, 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 were 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 2022 Reverse Stock Split, including reclassifying an amount equal to the reduction in par value of Common Stock to additional paid-in capital.

Proposed 2023 Reverse Stock Split and Series A Preferred Stock Issuance

On April 11, 2023, our board of directors (the "Board") unanimously approved and declared advisable, and recommended that our stockholders (including holders of Series A Preferred Stock, as discussed below) approve at our annual meeting of shareholders the adoption of, an amendment (the "2023 Amendment") to our A&R Charter to effect a reverse stock split of our Common Stock (the "Proposed 2023 Reverse Stock Split") at any whole number between, and inclusive of, one-for-five to one-for-fifteen. Approval of the proposal at our annual meeting, which is scheduled to occur on May 26, 2023 (the "2023 Annual Meeting"), will grant the Board the authority, but not the obligation, to file the 2023 Amendment to effect the Proposed 2023 Reverse Stock Split no later than November 20, 2023, with the exact ratio and timing of the Proposed 2023 Reverse Stock Split to be determined at the discretion of the Board. The exact split ratio selected by the Board will be publicly announced prior to the effectiveness of the Proposed 2023 Reverse Stock Split.

In connection with the Proposed 2023 Reverse Stock Split, on April 26, 2023, the Board declared a dividend of one one-thousandth (1/1,000th) of a share of Series A Preferred Stock, par value $0.0001 per share (the "Series A Preferred Stock"), for each outstanding share of Class A common stock to holders of record of Class A common stock as of 5:00 p.m. Eastern Time on April 26, 2023. The holders of Series A Preferred Stock have 1,000,000 votes per whole share of Series A Preferred Stock (i.e., 1,000 votes per one one-thousandth of a share of Series A Preferred Stock held) and are entitled to vote with the holders of Class A common stock, together as a single class, on the proposal to approve the 2023 Amendment in connection with the Proposed 2023 Reverse Split Proposal and to vote on a proposal to adjourn the annual meeting under certain circumstances, but holders of Series A Preferred Stock are otherwise not entitled to vote on the other proposals being presented at the annual meeting of stockholders. Holders of Series A Preferred Stock are not entitled to receive dividends of any kind and such shares are subject to redemption no later than the time the Proposed 2023 Reverse Stock Split is approved by our stockholders.

Liquidity

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 equity issuances, such as our June 2022 and October 2022 offerings, and our ATM program, each as described and defined below.

ATM Program and Shelf Registration Statement

While we have an effective shelf registration statement on Form S-3 (the "Shelf Registration Statement") to conduct securities offerings from time to time, for so long as our public float is less than $75 million, our ability to utilize the Shelf Registration Statement to raise capital is limited, as further described below. The Shelf Registration Statement registers the offer and sale of shares of our Class A common stock, preferred stock, $ 0.0001 par value per share (the "preferred stock"), depository shares representing our preferred stock, warrants to purchase shares of our Class A common stock, preferred stock or depository shares, and rights to purchase shares of our Class A common stock or preferred stock that may be issued by us in a maximum aggregate amount of up to $200 million. In August 2021, we filed a prospectus supplement and 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. However, we may be unable to access the capital markets because of current market volatility and the performance of our stock price.

On March 31, 2022, the date on which our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the "2021 Annual Report") was filed with the SEC, the Shelf Registration Statement became subject to the offering limits set forth in Instruction I.B.6 because our public float was less than $75 million. For so long as our public float is less than $75 million, the aggregate market value of securities sold by us under the Shelf Registration Statement (including our ATM Program) pursuant to Instruction I.B.6 during any 12 consecutive months may not exceed one-third of our public float. 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. In light of our low cash position, we have been forced to sell stock under our ATM program at prices that may not otherwise be attractive and are dilutive. We have sold $ 2.2 million in securities pursuant to Instruction I.B.6 in the 12 calendar months preceding the date of filing of this Quarterly Report on Form 10-Q. Following the completion of the June 2022 Offering (as defined below) 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 time due to the restrictions under Instruction I.B.6 to Form S-3, which will limit our liquidity options in the capital markets for a period of time.

Common Stock and Warrant Offerings

On June 27, 2022, we entered into a securities purchase agreement with an accredited investor, pursuant to which we agreed to issue and sell an aggregate of 585,000 shares of our Class A common stock, pre-funded warrants to purchase up to 495,000 shares of our Class A common stock (the "June 2022 Pre-Funded Warrants") and warrants to purchase up to 1,080,000 shares of our Class A common stock (the "June 2022 Standard Warrants" and, together with the June 2022 Pre-Funded Warrants, the "June 2022 Warrants"), in a registered direct offering (the "June 2022 Offering"). The June 2022 Offering generated gross proceeds of approximately $5.4 million and net proceeds to the Company of approximately $5.0 million. All June 2022 Pre-Funded Warrants were exercised in July 2022, for de minimis net proceeds.

On October 27, 2022, we entered into securities purchase agreements with certain investors, pursuant to which we agreed to issue and sell an aggregate of 6,955,555 shares of our Class A common stock, pre-funded warrants to purchase up to 1,377,780 shares of our Class A Common Stock (the "October 2022 Pre-Funded Warrants") and warrants to purchase up to 16,666,670 shares of our Class A common stock (the "October 2022 Standard Warrants"). The October 2022 units were offered pursuant to a Registration Statement on Form S-1 (the "October 2022 Offering"). The October 2022 Offering generated gross proceeds of approximately $7.5 million and net proceeds to the Company of approximately $6.8 million.

On February 3, 2023, we filed a Registration Statement on Form S-1 (the "February 2023 S-1") seeking to register the public offering of up to $8.0 million in units (each comprised of one share of Class A common stock and two warrants to purchase Class A common stock), which has not yet become effective. We can provide no assurances as to whether the February 2023 S-1 will become effective, or whether we will undertake this public offering following the filing of this Quarterly Report on Form 10-Q.

Entry into 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.

ERC Sale

On February 16, 2023, two of our wholly owned subsidiaries, Warehouse Goods and Kim International LLC, entered into an agreement with a third-party institutional investor pursuant to which the investor purchased, for approximately $4.85 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.

Management Initiatives

We have completed several initiatives to optimize our working capital requirements. We launched Groove, a new, innovative Greenlane Brands product line, which is accretive to gross profit, 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 successfully entered into two strategic partnerships which management believes will help significantly reduce our overall cost structure, enhance our margins and further support our facilities consolidation initiatives while also servicing and providing solutions to our customers. 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. As part of the MJ Packaging Partnership, we will no longer purchase additional packaging inventory and MJ Pack will become our strategic partner to continue providing and enhancing packaging solutions for our customers. As a result of the MJ Packaging Partnership, we are no longer seeking a purchaser for our packaging division. 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 partnerships may result in a decrease in top line revenue for these packaging and vape products, these partnerships combined with some of our other restructuring initiatives should allow us to reduce our overall cost-structure and enhance our margins and convert millions of dollars of existing inventory back into cash, 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 2022 to reduce costs and align with our revenue projections.

We believe that our cash on hand and cash flow from operating activities will 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 at least the next 12 months.

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, 2022. 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.

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 goodwill; the fair value of contingent consideration arrangements; the useful lives of intangible assets and 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 March 31, 2023, we had two reportable operating business segments: Industrial Goods and Consumer Goods. Our reportable segments have 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, manages our business, makes resource allocation and operating decisions, and evaluates operating performance. See "Note 12—Segment Reporting."

Revenue Recognition

Our liability for returns, which is included within "Accrued expenses and other current liabilities" in our condensed consolidated balance sheets, was approximately $0.3 million and $0.3 million as of March 31, 2023 and December 31, 2022.

One customer represented approximately 26% of our net sales for the three months ended March 31, 2023. For the three months ended March 31, 2022, one customer represented approximately 17% of our net sales. As of March 31, 2023, two customers represented approximately 21% and 15% of accounts receivable, respectively. As of December 31, 2022, the Company had three customers who individually represented approximately 31%, 17% and 15% of accounts receivable, respectively.

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 $ 0.4 million relating to this matter within "Accrued expenses and other current liabilities" in our condensed consolidated balance sheet as of March 31, 2023 and December 31, 2022.

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. During the three months ended March 31, 2022, we recognized a gain of approximately $1.8 million within "general and administrative expenses" in our condensed consolidated statements of operations and comprehensive loss, which represented the partial reversal of a charge previously recognized based on the difference between the VAT payable and the VAT receivable and indemnification asset, as the indemnification asset became probable of recovery based on the reduction in our previously estimated VAT liability for penalties and interest based on our voluntary disclosure to, and ongoing settlement with, the relevant tax authorities in the EU member states.

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 Adopted Accounting Guidance

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses*. The standard requires the use of an "expected loss" model on certain types of financial instruments. The standard also amends the impairment model for available-for-sale securities and requires estimated credit losses to be recorded as allowances rather than as reductions to the amortized cost of the securities. This standard was effective for fiscal years, and interim periods within those years, beginning after December 15, 2022 for filers that are eligible to be smaller reporting companies under the SEC's definition, with early adoption permitted. We adopted this standard beginning January 1, 2023. Adoption of this standard did not have a material impact on our condensed consolidated financial statements.

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*, which requires that an acquirer recognize and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606, as if it had originated the contracts. Prior to this ASU, an acquirer generally recognizes contract assets acquired and contract liabilities assumed that arose from contracts with customers at fair value on the acquisition date. The ASU was effective for fiscal years beginning after December 15, 2022, with early adoption permitted. The ASU is to be applied prospectively to business combinations occurring on or after the effective date of the amendment (or if adopted early as of an interim period, as of the beginning of the fiscal year that includes the interim period of early application). We adopted this new standard beginning January 1, 2023. Adoption of this standard did not impact our condensed consolidated financial statements, as we did not complete any transactions to which this standard was applicable during the current reporting period.

NOTE 3. BUSINESS ACQUISITIONS

Amended Eyce APA

On April 7, 2022, we entered into an amendment to that certain Asset Purchase Agreement dated March 2, 2021 (the "Amended Eyce APA"), by and between Eyce and Warehouse Goods to accelerate the issuance of shares of Class A common stock issuable to Eyce under the agreement upon the attainment of certain EBITDA and revenue benchmarks (the "Amended 2022 Contingent Payment"), in an amount equal to $0.9 million. We issued 71,721 shares of Class A common stock to Eyce under the Amended 2022 Contingent Payment, which vest ratably in seven quarterly tranches starting on July 1, 2022, such that on January 1, 2024 (the "Vesting Date"), all shares issued to Eyce under the Amended 2022 Contingent Payment will have vested. The shares of Class A common stock issued under the Amended 2022 Contingent Payment are subject to certain forfeiture restrictions tied to the continued employment of certain Eyce personnel with the Company through the Vesting Date.

The Amended Eyce APA also provided for the payment of $ 0.9 million in cash in four equal installments on April 1, 2023, July 1, 2023, October 1, 2023 and January 1, 2024, contingent on the achievement of certain deliverables outlined in the Amended Eyce APA and the continued employment of certain Eyce personnel. The transaction was accounted for separately from acquisition accounting for the Eyce business combination.

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 March 31, 2023 and December 31, 2022, 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 March 31, 2023**			
(in thousands)		**Level 1**	**Level 2**	**Level 3**	**Total**
Liabilities:					
Contingent consideration - current	Accrued expenses and other current liabilities	—	—	2,738	2,738
Total Liabilities		$ —	$ —	$ 2,738	$ 2,738

(in thousands)	Consolidated Balance Sheet Caption	Fair Value at December 31, 2022			
		Level 1	Level 2	Level 3	Total
Liabilities:					
Contingent consideration - current	Accrued expenses and other current liabilities	$ —	$ —	$ 2,738	$ 2,738
Total Liabilities		$ —	$ —	$ 2,738	$ 2,738

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 months ended March 31, 2023 and 2022.

Derivative Instrument and Hedging Activity

On July 11, 2019, we entered into an interest rate swap contract to manage our risk associated with the interest rate fluctuations on the Company's floating rate Real Estate Note described in "Note 6 - Debt." The counterparty to this instrument was a reputable financial institution. Our interest rate swap contract was designated as a cash flow hedge at the inception date and was previously reflected at its fair value in our consolidated balance sheets. The fair value of our interest rate swap liability was determined based on the present value of expected future cash flows. Since our interest rate swap value was based on the LIBOR forward curve and credit default swap rates, which were observable at commonly quoted intervals for the full term of the swap, it was considered a Level 2 measurement.

Beginning with the second quarter of 2022, we discontinued hedge accounting for the interest rate swap contract. During the second quarter of 2022, we also reclassified the related accumulated other comprehensive income balance of $0.3 million to "interest expense" in our condensed consolidated statement of income and comprehensive loss.

Refer to "Note 8 — Supplemental Financial Information" for further details on the components of accumulated other comprehensive income (loss) forthe three months ended March 31, 2023 and 2022.

The unrealized loss on the derivative instrument prior to the discontinuation of hedge accounting was included within"Other comprehensive income (loss)" in our condensed consolidated statement of operations and comprehensive loss. There was no measure of hedge ineffectiveness and no reclassifications from other comprehensive loss into interest expense for the three months ended March 31, 2023 and 2022. In August 2022, we terminated the interest swap contract.

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)	Three months ended March 31, 2023
Balance at December 31, 2022	$ 2,738
Loss (gain) from fair value adjustments included in results of operations	—
Balance March 31, 2023	$ 2,738

(in thousands)		Three months ended March 31, 2022
Balance at December 31, 2021	$	6,857
Eyce 2021 Contingent Payment settlement in Class A common stock		(875)
DaVinci 2021 Contingent Payment settlement in Class A common stock		(2,611)
Gain from fair value adjustments included in results of operations		(5)
Balance March 31, 2022	$	3,366

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 months ended March 31, 2023 and 2022.

As of March 31, 2023 and December 31, 2022, the carrying value of our investment in equity securities without a readily determinable fair value was approximately $2.5 million, respectively, included within "Other assets" in our condensed consolidated balance sheets. The carrying value included a fair value adjustment of $1.5 million due to an observable price change recognized during the year ended December 31, 2019.

NOTE 5. LEASES

Greenlane as a Lessee

As of March 31, 2023, we had facilities financed under operating leases consisting of warehouses, offices, and a retail store, with lease term expirations from 2023 to 2027. Lease terms are generally three to seven years for warehouses, office space and retail store locations. 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 finance and operating lease liabilities recorded in our condensed consolidated balance sheet as of March 31, 2023. 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 2023	$	1,078
2024		914
2025		942
2026		81
2027 and thereafter		—
Total minimum lease payments		3,015
Less: imputed interest		106
Present value of minimum lease payments		2,909
Less: current portion		1,179
Long-term portion	$	1,730

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:

(in thousands)	For the three months ended March 31, 2023	2022
Operating lease cost	567	765
Variable lease cost	198	36
Total lease cost	$ 765	$ 801

The table below presents lease-related terms and discount rates as of March 31, 2023:

	Operating Leases
Operating leases	2.4 years
Operating leases	2.3 %

Greenlane as a Lessor

The following table represents the maturity analysis of undiscounted cash flows related to lease payments, which we expect to receive from our existing operating lease agreements related to our sublease in California:

Rental Income	*(in thousands)*
Remainder of 2023	$ 241
2024 and thereafter	$ —
Total	$ 241

NOTE 6. DEBT

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

(in thousands)	March 31, 2023	December 31, 2022
Line of Credit	8,507	15,000
DaVinci Promissory Note	1,874	2,538
Eyce Promissory Note	324	647
	10,705	18,185
Less unamortized debt issuance costs	(2,471)	(1,960)
Less current portion of debt	(2,699)	(3,185)
Debt, net, excluding operating leases and finance leases	$ 5,535	$ 13,040

Real Estate Note

On October 1, 2018, one of the Operating Company’s wholly-owned subsidiaries financed the purchase of a building, which served as our corporate headquarters, through a real estate term note (the “Real Estate Note”) in the principal amount of $8.5 million. Our obligations under the Real Estate Note were secured by a mortgage on the property.

On August 8, 2022, we entered into a note, mortgage and loan modification agreement (the “Real Estate Note Amendment”), which amended the maturity date of the Real Estate Note to reflect a maturity date of December 1, 2022, whereupon all principal and accrued interest were to become due and payable, in full.

In September 2022, one of the Operating Company's wholly-owned subsidiaries, 1095 Broken Sound Pkwy LLC ("1095 Broken Sound"), consummated the previously disclosed transactions contemplated by that certain Purchase and Sale Agreement, dated as of August 16, 2022, by and between 1095 Broken Sound and a third-party (the "HQ Purchaser") whereby 1095 Broken Sound agreed to sell a certain parcel of real estate including our headquarters building to the purchaser of our former headquarters for total proceeds of $9.6 million in cash. On the closing date, the Company used a portion of the proceeds from the transaction to repay the remainder of the Real Estate Note in full. There was no remaining balance related to the Real Estate Note on our consolidated balance sheet as of March 31, 2023 or December 31, 2022.

Eyce Promissory Note

In March 2021, one of the Operating Company's wholly-owned subsidiaries financed the acquisition of Eyce through the issuance of an unsecured promissory note (the “Eyce Promissory Note”) in the principal amount of $2.5 million. Principal payments plus accrued interest at a rate of4.5% were due quarterly through April 2023.

DaVinci Promissory Note

In November 2021, one of the Operating Company's wholly-owned subsidiaries financed the acquisition of DaVinci through the issuance of an unsecured promissory note (the “DaVinci Promissory Note”) in the principal amount of $5.0 million. Principal payments plus accrued interest at a rate of 4.0% are due quarterly through October 2023.

Bridge Loan

In December 2021, we entered into a Secured Promissory Note with Aaron LoCascio, our co-founder, former Chief Executive Officer and President, and a current director of the Company, in which Mr. LoCascio provided us with a bridge loan in the principal amount of $8.0 million (the “December 2021 Note”). The December 2021 Note accrued interest at a rate of 15.0% and the principal amount was due in full on June 30, 2022. We incurred $0.3 million of debt issuance costs related to the December 2021 Note, which were recorded as a direct deduction from the carrying amount of the December 2021 Note, and which were amortized over the term of the December 2021 Note through interest expense. The December 2021 Note was secured by a continuing security interest in all of our assets and properties whether then or thereafter existing or required, including our inventory and receivables (as defined under the Uniform Commercial Code) and included negative covenants restricting our ability to incur further indebtedness and engage in certain asset dispositions until the earlier of the maturity date or the December 2021 Note being fully repaid.

On June 30, 2022, we entered into the First Amendment to the December 2021 Note (the “First Amendment”), which extended the maturity date of the December 2021 Note to July 14, 2022. On July 14, 2022, we entered into the Second Amendment to the December 2021 Note (the “Second Amendment” and together with the December 2021 Note, the “Bridge Loan”), which provided for the extension of the maturity date of the Bridge Loan from July 14, 2022 to July 19, 2022. In connection with the entry into the Second Amendment, we repaid $4.0 million of the aggregate principal amount due under the Bridge Loan on July 14, 2022, with the remainder due at maturity. On July 19, 2022, we repaid the remaining balance on the Bridge Loan in full, and, as a result, all obligations under the Bridge Loan have been satisfied.

Asset-Based Loan

On August 9, 2022, we entered into an asset-based loan pursuant to that certain Loan and Security Agreement, dated as of August 8, 2022 (the “Loan Agreement”), by and among the Company, certain subsidiaries of the Company (the “Guarantors”), the parties thereto from time to time as lenders (the “Lenders”), and WhiteHawk Capital Partners LP, as the agent for the Lenders (the "Asset-Based Loan").

Pursuant to the Loan Agreement, the Lenders agreed to make available to us a term loan of up to $15.0 million on the terms and conditions set forth therein and the other Financing Agreements (as defined therein). As of December 31, 2022, of the total term loan amount, $5.7 million was located in a blocked account, which was classified as “restricted cash” on our consolidated balance sheet, and which released the funds when permitted by the borrowing base certificate. Subject to certain exceptions described in the Loan Agreement, the Company and the Guarantors agreed to pledge all of their assets as collateral. The maturity date of the Asset-Based Loan is the third anniversary of the closing date (the “Maturity Date”).

We incurred $1.5 million of debt issuance costs related to the Asset-Based Loan, as well as an original issue discount of $0.5 million, which were recorded as a direct deduction from the carrying amount of the Asset-Based Loan, and which are amortized over the term of the Asset-Based Loan through interest expense. The Asset-Based Loan contains customary covenants and restrictions, including, without limitation, covenants that require us to comply with applicable laws, restrictions on our ability to incur additional indebtedness, and various customary remedies for the lender following an event of default, including the acceleration of repayment of outstanding amounts under the Asset-Based Loan and execution upon the collateral securing obligations under the Asset-Based Loan.

The Asset-Based Loan accrues interest at the prime rate plus 8.0% and interest payments are due monthly. Based on the original terms, beginning with the fiscal quarter ending September 30, 2023, and for each fiscal quarter thereafter until the Maturity Date, quarterly payments of $0.3 million are due, with a final payment of all remaining outstanding principal and accrued interest due on the Maturity Date.

On February 9, 2023, we entered into Amendment No. 2 to the Loan Agreement, pursuant to which we agreed to, among other things, to 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. Amendment No. 2 to the Loan Agreement also provides that we will make additional prepayments upon the occurrence of certain specified asset sales by the Company.

As of March 31, 2023, we were in compliance with the Loan Agreement covenants.

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 three months ended March 31, 2023 and 2022.

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.

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)	March 31, 2023	December 31, 2022
VAT payable (including amounts related to VAT matter described in Note 2)	$ 2,980	$ 2,809
Contingent consideration	2,738	2,738
Accrued employee compensation	3,423	3,812
Amended Eyce APA	656	430
Accrued professional fees	679	818
Refund liability (including accounts receivable credit balances)	288	329
Accrued construction in progress (ERP)	110	170
Sales tax payable	640	578
Other	1,370	198
	$ 12,884	$ 11,882

Customer Deposits

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 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 three months ended March 31, 2023 were as follows:

(in thousands)		Customer Deposits
Balance as of December 31, 2022	$	3,983
Increases due to deposits received, net of other adjustments		1,630
Revenue recognized		(2,389)
Balance as of March 31, 2023	$	3,224

Accumulated Other Comprehensive Income (Loss)

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

(in thousands)		Foreign Currency Translation		Unrealized Gain or (Loss) on Derivative Instrument		Total
Balance at December 31, 2022	$	55	$	—	$	55
Other comprehensive income (loss)		178		—		178
Balance at March 31, 2023	$	233	$	—	$	233

(in thousands)		Foreign Currency Translation		Unrealized Gain or (Loss) on Derivative Instrument		Total
Balance at December 31, 2021	$	282	$	42	$	324
Other comprehensive income (loss)		88		358		446
Less: Other comprehensive (income) loss attributable to non-controlling interest		(17)		(68)		(85)
Balance at March 31, 2022	$	353	$	332	$	685

Supplier Concentration

Our four largest vendors accounted for an aggregate of approximately 79.7% and 67.0% of our total purchases for the three months ended March 31, 2023 and 2022, respectively. We expect to maintain our relationships with these vendors.

Related Party Transactions

Nicholas Kovacevich, our Chief Corporate Development Officer, owns capital stock of Unrivaled Brands Inc. ("Unrivaled") and serves on the Unrivaled board of directors. Net sales to Unrivaled for the three months ended March 31, 2023 and 2022 were $0 and approximately $0.2 million, respectively. Total accounts receivable due from Unrivaled were $0.4 million as of March 31, 2023 and December 31, 2022, respectively. On February 8, 2023, we filed a lawsuit against Unrivaled in Superior Court of California, Orange County, seeking to compel the repayment of Unrivaled's open balance due to us. We can provide no assurances that we will be successful in this lawsuit, or that the amounts due to us, or any portion thereof, will be recovered.

Adam Schoenfeld, our co-founder and a former director who resigned from the Board on January 6, 2023, has a significant ownership interest in one of our customers, Universal Growing. There were no net sales to Universal Growing for the three months ended March 31, 2023 and 2022. Total accounts receivable due from Universal Growing as of March 31, 2023 and December 31, 2022 were de minimis.

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). Our Class A common stock entitles the record holder thereof to one vote on all matters on which stockholders generally are entitled to vote, 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 August 9, 2022, we completed a one-for-20 reverse stock split (the "2022 Reverse Stock Split") of our issued and outstanding shares of Class A common stock and Class B common stock (collectively, the "Common Stock"), as further described in "Note 2 - Summary of Significant Accounting Policies." As a result of the 2022 Reverse Stock Split, every 20 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 2022 Reverse Stock Split.

The 2022 Reverse Stock Split 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 2022 Reverse Stock Split, including reclassifying an amount equal to the reduction in par value of Common Stock to additional paid-in capital.

Refer to "Note 13 — Subsequent Events" for additional details regarding the issuance of Preferred Series A Stock and the Proposed 2023 Reverse Stock Split.

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 Global 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 12-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.

Following the completion of the June 2022 Offering 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 time due to the restrictions under Instruction I.B.6 to Form S-3, 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 March 31, 2023**
Class A shares sold*		972,624
Gross proceeds	$	12,684
Net proceeds	$	12,303
Fees paid to sales agent	$	381

*After giving effect to the one-for-20 Reverse Stock Split effective August 9, 2022.

Common Stock and Warrant Offerings

June 2022 Offering

On June 27, 2022, we entered into a securities purchase agreement with an accredited investor, pursuant to which we agreed to issue and sell an aggregate of 585,000 shares of our Class A common stock, pre-funded warrants to purchase up to 495,000 shares of our Class A common stock (the "June 2022 Pre-Funded Warrants") and warrants to purchase up to 1,080,000 shares of our Class A common stock (the "June 2022 Standard Warrants" and, together with the June 2022 Pre-Funded Warrants, the "June 2022 Warrants"), in a registered direct offering (the "June 2022 Offering"). The shares of Class A common stock and June 2022 Warrants were sold in Units (the "June 2022 Units"), with each unit consisting of one share of Class A common stock or a June 2022 Pre-Funded Warrant and a June 2022 Standard Warrant to purchase one share of our Class A common stock. The June 2022 Units were offered pursuant to the Shelf Registration Statement. The June 2022 Standard Warrants are exercisable six months from the date of issuance at an exercise price equal to $5.00 per share of Class A common stock for a period of five years. Each June 2022 Pre-Funded Warrant was exercisable six months from the date of issuance (as modified by the June 2022 Pre-Funded Warrant Waiver discussed below) with no expiration date for one share of Class A common stock at an exercise price of $0.002. The June 2022 Offering generated gross proceeds of approximately $5.4 million and net proceeds to the Company of approximately $5.0 million.

On July 27, 2022, pursuant to Section 9 of the June 2022 Pre-Funded Warrants, we waived the Initial Exercise Date (as defined in the June 2022 Pre-Funded Warrants and permitted the June 2022 Pre-Funded Warrants to be exercisable immediately to reflect the business understanding between us and the investors in the June 2022 Offering with respect to the exercisability of the June 2022 Pre-Funded Warrants (the "June 2022 Pre-Funded Warrant Waiver").

All June 2022 Pre-Funded Warrants were exercised in July 2022, based upon which we issued an additional 495,000 shares of our Class A common stock, for de minimis net proceeds.

October 2022 Offering

On October 27, 2022, we entered into securities purchase agreements with certain investors, pursuant to which we agreed to issue and sell an aggregate of 6,955,555 shares of our Class A common stock, pre-funded warrants to purchase up to 1,377,780 shares of our Class A common stock (the "October 2022 Pre-Funded Warrants") and warrants to purchase up to 16,666,670 shares of our Class A common stock (the "October 2022 Standard Warrants"). The October 2022 units each consisted of one share of Class A common stock or a October 2022 Pre-Funded Warrant and two October 2022 Standard Warrants to purchase one share of our Class A common stock. The October 2022 units were offered pursuant to the S-1 Registration Statement. The October 2022 Standard Warrants are exercisable immediately at an exercise price equal to $0.90 per share of Class A common stock for a period of seven years. Each October 2022 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 October 2022 Offering generated gross proceeds of approximately $7.5 million and net proceeds to the Company of approximately $6.8 million.

All October 2022 Pre-Funded Warrants were exercised in November 2022, based upon which we issued an additional 1,377,780 shares of our Class A common stock, for de minimis net proceeds.

February 2023 Form S-1

On February 3, 2023, we filed a Registration Statement on Form S-1 (the "February 2023 S-1") seeking to register the public offering of up to $8.0 million in units, which has not yet become effective as of the date of this Quarterly Report on Form 10-Q. We can provide no assurances as to whether the February 2023 S-1 will become effective, or whether we will undertake this public offering following the filing of this Quarterly Report on Form 10-Q.

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 elements.

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 March 31,	
(in thousands, except per share data)	**2023**	**2022**
Numerator:		
Net loss	$ (10,248)	$ (18,749)
Less: Net loss attributable to non-controlling interests	(54)	(3,417)
Net loss attributable to Class A common stockholders	$ (10,194)	$ (15,332)
Denominator:		
Weighted average shares of Class A common stock outstanding*	15,986	4,509
Net loss per share of Class A common stock - basic and diluted*	$ (0.64)	$ (3.40)

*After giving effect to the one-for-20 2022 Reverse Stock Split effective August 9, 2022.

For the three months ended March 31, 2023 and 2022, respectively, shares of Class B common stock, and 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.

Shares of our Class B common stock do not share in our earnings or losses and are therefore not participating securities. As such, separate calculations of basic and diluted net loss per share for each of our Class B common stock under the two-class method have not been presented for the three months ended March 31, 2022. 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.

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 -one-for-20 Reverse Stock Split, the total number of shares of Class A common stock authorized for issuance is 1,100,000 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 April 26, 2023, the Board, subject to stockholder approval at the 2023 Annual Meeting, approved a third amendment and restatement of the 2019 Plan (the "Third Amended Plan"). If approved at the 2023 Annual Meeting, the Third Amended Plan would, among other things, increase the number of shares of Class A common stock authorized for issuance under the Second Amended 2019 Plan by 2,098,627 shares to an aggregate of3,198,627 shares. For additional information about the Third Amended Plan, please see the Company's Definitive Proxy Statement filed with the SEC on April 27, 2023.

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 March 31,	
(in thousands)	2023	2022
Stock options - Class A common stock	$ 50	$ 674
Restricted shares - Class A common stock	155	188
Restricted stock units (RSUs) - Class A common stock	—	11
Total equity-based compensation expense	$ 205	$ 873

Total remaining unrecognized compensation expense as of March 31, 2023 was as follows:

	Remaining Unrecognized Compensation Expense March 31, 2023	Weighted Average Period over which Remaining Unrecognized Compensation Expense is Expected to be Recognized
	(in thousands)	(in years)
Stock options - Class A common stock	$ 148	1.6
Restricted shares - Class A common stock	128	1.5
Total remaining unrecognized compensation expense	$ 276	

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 is generally not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by the Operating Company is 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 is also subject to taxes in foreign jurisdictions. We are a corporation subject to U.S. federal income taxes, in additional 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 US income and expenses will be included in our US and state tax returns.

During the three months ended March 31, 2023 and 2022, 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 March 31, 2023 and December 31, 2022, 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 the provision for income taxes.

We do not record U.S. income taxes on the undistributed earnings of our foreign subsidiaries, except for the Canadian subsidiary, based upon our intention to permanently reinvest undistributed earnings into working capital and further expansion of existing operations outside the United States. In the event we are required to repatriate funds from outside of the United States, such repatriation would be subject to local laws, customs, and tax consequences.

Uncertain Tax Positions

For the three months ended March 31, 2023 and 2022, we didnot 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 2018 – 2021.

Tax Receivable Agreement (TRA)

We entered into the TRA with the Operating Company and each of the members that provides for the payment by the Operating Company to the members of85% 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 March 31, 2023 and December 31, 2022, respectively.

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 consolidated statements of operations and comprehensive (loss) income.

During the three months ended March 31, 2023 and 2022, we did not make any payments, inclusive of interest, to members of the Operating Company pursuant to the TRA.

NOTE 12. SEGMENT REPORTING

We define our segments as those operations whose results are regularly reviewed by our CODM to analyze performance and allocate resources. Therefore, segment information is prepared on the same basis that management reviews financial information for operational decision-making purposes. Our CODM is a committee comprised of our CEO and our CFO.

We determined we had two operating segments as of March 31, 2023, which are the same as our reportable segments: (1) Consumer Goods and (2) Industrial Goods. These operating segments align with how we manage our business as of the first quarter of 2023. The accounting policies of the reportable segments are the same as those described in "Note 2 - Summary of Significant Accounting Policies."

The Consumer Goods segment focuses on serving consumers across wholesale, retail and e-commerce operations—through both our proprietary Greenlane Brands, including Eyce, DaVinci, Groove, Marley Natural, Keith Haring and Higher Standards, as well as lifestyle products and accessories from leading brands, such as Storz and Bickel, PAX, and many 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 Greenlane Brands.

The Industrial Goods segment focuses on serving the premier brands, operators, and retailers through our wholesale operations by providing ancillary products essential to their growth, such as customizable packaging and supply products, which includes our vaporization solutions offering including CCELL branded products.

Our CODM allocates resources to, and assesses the performance of, ourtwo operating segments based on the operating segments' net sales and gross profit.The following table sets forth information by reportable segment for the three months ended March 31, 2023 and 2022, respectively. There were no material intersegment sales during the three months ended March 31, 2023 and 2022.

	For the three months ended March 31, 2023			For the three months ended March 31, 2022		
(in thousands)	Consumer Goods	Industrial Goods	Total	Consumer Goods	Industrial Goods	Total
Net sales	$ 7,810	$ 16,149	$ 23,959	$ 17,141	$ 29,393	$ 46,534
Cost of sales	5,523	12,917	18,440	14,319	26,247	40,566
Gross profit	$ 2,287	$ 3,232	$ 5,519	$ 2,822	$ 3,146	$ 5,968

The following table sets forth specific asset categories which are reviewed by our CODM in the evaluation of operating segments:

	As of March 31, 2023			As of December 31, 2022		
(in thousands)	Consumer Goods	Industrial Goods	Total	Consumer Goods	Industrial Goods	Total
Accounts receivable, net	$ 944	$ 6,912	$ 7,856	$ 967	$ 5,501	$ 6,468
Inventories, net	$ 20,688	$ 16,355	$ 37,043	$ 19,259	$ 21,384	$ 40,643
Vendor deposits	$ 3,456	$ 1,843	$ 5,299	$ 3,269	$ 3,027	$ 6,296

NOTE 13. SUBSEQUENT EVENTS

Amendment to Second Amended and Restated Bylaws

On April 11, 2023, the Board approved an amendment (the "Bylaw Amendment") to the Second Amended and Restated Bylaws of the Company (the "Bylaws"), effective as of April 11, 2023. The Bylaw Amendment amended and restated Article I, Section 1.6 of the Bylaws in their entirety to lower the number of holders of the shares entitled to vote at a meeting of stockholders constituting a quorum, in person or by proxy, from a majority to one-third. Additional information about the Bylaw Amendment can be found in the Company's Current Report on Form 8-K filed with the SEC on April 12, 2023.

Proposed 2023 Reverse Stock Split

On April 11, 2023, the Board unanimously approved and declared advisable, and recommended that our stockholders (including holders of Series A Preferred Stock, as discussed below) approve at our annual meeting of stockholders the adoption of the 2023 Amendment to effect a reverse stock split of our Common Stock at any whole number between, and inclusive of, one-for-five to one-for-fifteen. Approval of the Proposed 2023 Reverse Stock Split at the 2023 Annual Meeting will grant the Board the authority, but not the obligation, to file the 2023 Amendment to effect the Proposed 2023 Reverse Stock Split no later than November 20, 2023, with the exact ratio and timing of the Proposed 2023 Reverse Stock Split to be determined at the discretion of the Board. The exact split ratio selected by the Board will be publicly announced prior to the effectiveness of the Proposed 2023 Reserve Stock Split. For additional information about the 2023 Annual Meeting and the Proposed 2023 Reverse Stock Split, please see the Company's Definitive Proxy Statement filed with the SEC on April 27, 2023.

Issuance of Series A Preferred Stock

In connection with the Proposed 2023 Reverse Stock Split, on April 26, 2023, the Board declared a dividend of one one-thousandth (1/1,000th) of a share of Series A Preferred Stock for each outstanding share of Class A common stock to holders of record of Class A common stock as of 5:00 p.m. Eastern Time on April 26, 2023. The holders of Series A Preferred Stock have 1,000,000 votes per whole share of Series A Preferred Stock (i.e., 1,000 votes per one one-thousandth of a share of Series A Preferred Stock) and are entitled to vote with the holders of Class A common stock, together as a single class, on the proposal to approve the 2023 Amendment in connection with the Proposed 2023 Reverse Split Proposal and to vote on a proposal to adjourn the annual meeting under certain circumstances, but holders of Series A Preferred Stock are otherwise not entitled to vote on the other proposals being presented at 2023 Annual Meeting. Holders of Series A Preferred Stock are not entitled to receive dividends of any kind and such shares are subject to redemption no later than the time the Proposed 2023 Reverse Stock Split is approved by our stockholders. For additional information about the Series A Preferred Stock and the 2023 Annual Meeting, please see the Company's Form 8-A filed with the SEC on April 26, 2023 and the Company's Definitive Proxy Statement filed with the SEC on April 27, 2023.

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 March 31, 2023 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, 2022, 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-K for the fiscal year ended December 31, 2022 (the "2022 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 2022 Annual Report under the heading “Risk Factors."

- our strategy, outlook, and growth prospects;
- general economic trends, trends in the industry, and the competitive markets in which we operate;
- 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, including high inflation and increasing interest rates;
- our dependence on, and our ability to establish and maintain business relationships with third-party suppliers and service suppliers, including vulnerability to third-party transportation risks;
- 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;
- our ability to maintain consumer brand recognition and loyalty of our products;
- our ability to protect our intellectual property rights and use or license certain trademarks;
- our ability to successfully identify and complete strategic acquisitions and/or dispositions;
- our ability to address product defects and contamination of, or damage to, our products;
- our exposure to potential various claims, lawsuits, and administrative proceedings;
- our and our customers' ability to establish or maintain banking relationships;
- the impact of governmental laws and regulations and the outcomes of regulatory or agency proceedings;
- fluctuations in U.S. federal, state, local, and foreign tax obligations and changes in tariffs;
- any unfavorable scientific studies on the long-term health risks of vaporizers, electronic cigarettes, or cannabis and hemp-derived products, including cannabidiol ("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 sensitivity to global economic conditions and international trade issues;
- the onset of an economic recession in the United States or other countries, including the impact of the ongoing war in Ukraine, and their impact on the economy generally;
- natural disasters, adverse weather conditions, operating hazards, environmental incidents and labor disputes;
- public heath crises;
- the potential delisting of our Class A common stock from the Nasdaq;
- 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 transformative acquisitions including the acquisition of two proprietary house brands, EYCE ("Eyce") and DaVinci ("DaVinci"), along with a larger 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 house-of-brands business by adding two established brands to our portfolio (Eyce and DaVinci), 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 ("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") 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 a more affordable product line – Groove, innovative silicone pipes and accessories – Eyce, best-in-class premium vaporizer brand – DaVinci, premium smoke shop and ancillary product brand – Higher Standards, and child-resistant packaging brand - Pollen Gear. We also have category exclusive licenses for the premium Marley Natural branded products, as well as the K.Haring Glass Collection.

The Greenlane Brands, along with a curated set of third-party products, are offered to customers through our proprietary, owned and operated e-commerce platforms which include Vapor.com, Vaposhop.com, DaVinciVaporizer.com, PuffItUp.com, HigherStandards.com, EyceMolds.com and MarleyNaturalShop.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 e-commerce activities and our flagship Higher Standards store in New York City's famed Chelsea Market. We operate our own distribution centers in the United States, while also utilizing third-party logistics ("3PL") locations in the United States, Canada, and Europe. We have made tremendous progress consolidating and streamlining our warehouse and distribution operations following our acquisitions in 2021, and we look forward to further optimization of our footprint in 2023.

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, Cookies and more. This 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 Item 1 to this Quarterly Report on Form 10-Q for additional information on our reportable segments.

Plan to Accelerate Path to Profitability and Capitalize the Business

In today's economic environment, not to mention the environment of the cannabis industry itself, the key focus for many companies is profitability. At Greenlane, we are hyper focused on getting our business profitable and well-capitalized for long-term sustainability. We have been working hard to right-size our business, focus on core areas, and reduce our overall cost structure while improving our margins in an effort to be profitable in 2023.

In April 2023, we successfully entered into two strategic partnerships which management believes will help significantly reduce our overall cost structure, enhance our margins and further support our facilities consolidation initiatives while also servicing and providing solutions to our customers. 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. As part of the MJ Packaging Partnership, we will no longer purchase additional packaging inventory and MJ Pack will become our strategic partner to continue providing and enhancing packaging solutions for our customers. As a result of the MJ Packaging Partnership, we are no longer seeking a purchaser for our packaging division. Second, we entered into a strategic partnership with an affiliate of one 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 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 partnerships may result in a decrease in top line revenue for these packaging and vape products these partnerships combined with some of our other restructuring initiatives, should allow us to reduce our overall cost-structure and enhance our margins, and convert millions of dollars of existing inventory back into cash, 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 reduced our salaries, benefits and payroll taxes expenses by approximately 46.6%, for the three months ended March 31, 2023, compared to the same period for 2022 to reduce costs.

Finally, we are actively selling our excess & obsolete ("E&O") inventory of lower-margin, non-strategic products, along with reducing our overall level of inventory on hand. In May 2022, we commenced our official E&O sales program internally and have since sold more than $5.8 million of previously reserved E&O inventory. Our management anticipates that the proceeds from these E&O sales, combined with a general sell-down of other non-core third-party brand inventory, will generate more than $10.0 million in liquidity.

Management believes that our various strategic initiatives will reduce costs, help accelerate the our path to profitability, help support the growth of the business, and allow us to reinvest capital into our highest margin product lines, such as our Greenlane Brands, launch new products such as our Groove product line, and improve our e-commerce and B2B technological platforms.

Notwithstanding the liquidity plans discussed above, we were required to obtain additional capital through the sale of Class A common stock and warrants in a public offering that closed in October 2022 and filed a Registration Statement on Form S-1 with the Securities and Exchange Commission in February 2023 seeking to register the offering of up to $8 million in units, which has not yet become effective. The October 2022 Offering was completed and the February 2023 Form S-1 was filed, in order to meet short term funding needs, and we are still seeking to execute our strategic and other liquidity initiatives.

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.

2022 Reverse Stock Split

On August 4, 2022, we filed a Certificate of Amendment (the “Certificate of Amendment”) to our amended and restated certificate of incorporation with the Secretary of State of the State of Delaware, which effected a one-for-20 reverse stock split (the “2022 Reverse Stock Split”) of our issued and outstanding shares of Class A common stock and Class B common stock (collectively, the “Common Stock”) at 5:01 PM Eastern Time on August 9, 2022. As a result of the 2022 Reverse Stock Split, every 20 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 2022 Reverse Stock Split.

The 2022 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.

All share and per share amounts in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2023 have been retroactively adjusted for all periods presented to give effect to the 2022 Reverse Stock Split.

Proposed 2023 Reverse Stock Split

On April 11, 2023, the Board unanimously approved and declared advisable, and recommended that our stockholders (including holders of Series A Preferred Stock) approve at the 2023 Annual Meeting the adoption of the 2023 Amendment to effect a reverse stock split of our Common Stock at any whole number between, and inclusive of, one-for-five to one-for-fifteen. Approval of the Proposed 2023 Reverse Stock Split the 2023 Annual Meeting will grant the Board the authority, but not the obligation, to file the 2023 Amendment to effect the Proposed 2023 Reverse Stock Split no later than November 20, 2023, with the exact ratio and timing of the Proposed 2023 Reverse Stock Split to be determined at the discretion of the Board. The exact split ratio selected by the Board will be publicly announced prior to the effectiveness of the Proposed 2023 Reserve Stock Split. For additional information about the 2023 Annual Meeting and the Proposed 2023 Reverse Stock Split, please see the Company's Definitive Proxy Statement filed with the SEC on April 27, 2023.

Results of Operations

The following table presents operating results for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,					
			% of Net sales		Change	
	2023	2022	2023	2022	$	%
Net sales	$ 23,959	$ 46,534	100.0 %	100.0 %	$ (22,575)	(48.5) %
Cost of sales	18,440	40,566	77.0 %	87.2 %	(22,126)	(54.5) %
Gross profit	5,519	5,968	23.0 %	12.8 %	(449)	(7.5) %
Operating expenses:						
Salaries, benefits and payroll taxes	5,370	10,061	22.4 %	21.6 %	(4,691)	(46.6) %
General and administrative	7,677	11,715	32.0 %	25.2 %	(4,038)	(34.5) %
Depreciation and amortization	1,992	2,403	8.3 %	5.2 %	(411)	(17.1) %
Total operating expenses	15,039	24,179	62.7 %	52.0 %	(9,140)	(37.8) %
Loss from operations	(9,520)	(18,211)	(39.7) %	(39.1) %	8,691	(47.7) %
Other income (expense), net:						
Interest expense	(815)	(406)	(3.4) %	(0.9) %	(409)	100.7 %
Other income (expense), net	88	(54)	0.4 %	(0.1) %	142	(263.0) %
Total other expense, net	(727)	(460)	(3.0) %	(1.0) %	(267)	*
Loss before income taxes	(10,247)	(18,671)	(42.7) %	(40.2) %	8,424	(45.1) %
Provision for (benefit from) income taxes	1	78	— %	0.2 %	(77)	(98.7) %
Net loss	(10,248)	(18,749)	(42.7) %	(40.4) %	8,501	(45.3) %
Net loss attributable to non-controlling interest	(54)	(3,417)	(0.2) %	(7.3) %	3,363	(98.4) %
Net loss attributable to Greenlane Holdings, Inc.	$ (10,194)	$ (15,332)	(42.5) %	(32.9) %	$ 5,138	(33.5) %

**Not meaningful*

Consolidated Results of Operations

<u>Net Sales</u>

For the three months ended March 31, 2023, net sales were approximately $24.0 million, compared to approximately $46.5 million for the same period in 2022, representing a decrease of $22.6 million, or 48.5%. Industrial segment decreased 44% and Consumer segment decreased 55%. The year-over-year decrease in net sales was due to a major restructuring effort and shift in strategy to focus on in-house brands that carry a higher margin profile while rationalizing out third-party brand offerings, which generated top line revenue with lower margins. The Company is focused on profitable revenue and as a result top line revenue has significantly been reduced. Net sales were also affected by the sale of the Company's minority interest in the Vibes brand during 2022 and the Company's announcement of its intention to sell its packaging business, which adversely affected sales. Concurrently, the Company has focused on right-sizing the business during the fiscal year ended December 31, 2022 to reduce sales and marketing costs and reduce or eliminate certain administrative functions.

<u>Cost of Sales and Gross Margin</u>

For the three months ended March 31, 2023, cost of sales decreased by $22.1 million, or 54.5%, as compared to the same period in 2022. The decrease in the cost of sales is driven by the 48.5% decrease in revenue in addition to a $5.8 million decrease in damaged and obsolete inventory write-offs.

Gross margin increased to 23.0% for the three months ended March 31, 2023, compared to gross margin of 13% for the same period in 2022. Excluding inventory write-offs of damaged and obsolete inventory for the three months ended March 31, 2022 of $5.8 million compared to $0 for three months ended March 31, 2023 gross margins decreased 2.3% to 23.0% for the three months ended March 31, 2023, compared to 25.3% for the same period in 2022.

Salaries, Benefits and Payroll Taxes

Salaries, benefits and payroll taxes expenses decreased by approximately $4.7 million, or 46.6%, to $5.4 million for the three months ended March 31, 2023, compared to $10.1 million for the same period in 2022. The decrease is related to the reduction in workforce since the beginning of 2022 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 $4.0 million, or 34.5%, for the three months ended March 31, 2023, compared to the same period in 2022. 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 2022, the Company experienced decreases in professional and outside services by $2.2 million, facility expenses by $1.4 million, outbound freight by $0.7 million, other G&A by $0.6 million, marketing by $0.3 million, taxes and licenses by $0.3 million, and general insurance by $0.2 million; offset partially by an increase in software expense $0.2 million and bad debt expense of $1.5 million related to a reversal of $1.8 million VAT liability reserve due to an indemnification receivable recorded during the three months ended March 31, 2022. Excluding the reversal of the $1.8 million reserve allowance, general and administrative expenses decreased $5.7 million or 50% for the three months ended March 31, 2023 compared to the prior year comparable period.

Depreciation and Amortization Expense

Depreciation and amortization expense decreased $0.4 million, or 17.1%, for the three months ended March 31, 2023, compared to the same period in 2022. 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 increased approximately $0.4 million for the three months ended March 31, 2023 compared to the same period in 2022. The increase is primarily related to the new Asset-Based Loan the Company closed during Q3 2022.

Other expense, net.

Other income (expense), net, improved by approximately $0.1 million for the three months ended March 31, 2023, compared to the same period in 2022. The change is primarily due a loss related to the change in fair value of equity investment of $0.3 million recorded during the three months ended March 31, 2022.

Segment Operating Performance

Following the completion of the KushCo merger in late August 2021, we reassessed our operating segments based on our new organizational structure. Based on this assessment, we determined we had two operating segments as of December 31, 2021, which are the same as our reportable segments: (1) Consumer Goods, which largely comprises Greenlane's legacy operations across the United States, Canada, and Europe, and (2) Industrial Goods, which largely comprises KushCo's legacy operations. These changes in operating segments align with how we manage our business as of the first quarter of 2023.

The Consumer Goods segment focuses on serving consumers across wholesale, retail and e-commerce operations—through both our proprietary brands, including Eyce, DaVinci, Marley Natural, Keith Haring, and Higher Standards, as well as lifestyle products and accessories from leading brands, like Storz and Bickel, Grenco Science, and many 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.

The Industrial Goods segment focuses on serving the premier cannabis brands, operators, and retailers through our wholesale operations by providing ancillary products essential to their growth, such as customizable packaging and supply products, which includes our Greenlane Brand Pollen Gear and vaporization solutions offering, which includes CCELL branded products.

Our CODM allocates resources to and assesses the performance of our two operating segments based on the operating segments' net sales and gross profit. The following table sets forth information by reportable segment for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,					
			% of Total Net sales		Change	
	2023	2022	2023	2022	$	%
Net sales:						
Consumer Goods	$ 7,810	$ 17,141	32.6 %	36.8 %	$ (9,331)	(54.4)%
Industrial Goods	16,149	29,393	67.4 %	63.2 %	(13,244)	(45.1)%
Total net sales	$ 23,959	$ 46,534	100.0 %	100.0 %	$ (22,575)	(48.5)%
			% of Segment Net sales		Change	
Cost of sales:	2023	2022	2023	2022	$	%
Consumer Goods	$ 5,523	$ 14,319	70.7 %	83.5 %	$ (8,796)	(61.4)%
Industrial Goods	12,917	26,247	80.0 %	89.3 %	(13,330)	(50.8)%
Total cost of sales	$ 18,440	$ 40,566				
Gross profit:						
Consumer Goods	$ 2,287	$ 2,822	29.3 %	16.5 %	$ (535)	(19.0)%
Industrial Goods	3,232	3,146	20.0 %	10.7 %	86	2.7 %
Total gross profit	$ 5,519	$ 5,968				

Consumer Goods

For the three months ended March 31, 2023, our Consumer Goods operating segment reported net sales of approximately $7.8 million compared to approximately $17.1 million for the same period in 2022, representing a decrease of $9.3 million or 54.4%. The year-over-year decrease was due to a major restructuring effort by the company to right-size the business during fiscal year 2022 to reduce sales and marketing costs to align with gross profit, sale of the Company's minority interest in Vibes brand and a major shift in strategy to focus on in-house brands that have a higher margin profile and rationalized third-party brand offering generating top line revenue with lower margins.

For the three months ended March 31, 2023, the cost of sales decreased by $8.8 million, or 61.4%, as compared to the same period in 2022. The decrease in the cost of sales was primarily due to the 54.4% decrease in the net sales of Consumer Goods.

The gross margin decreased to 29.3% for the three months ended March 31, 2023, compared to a gross margin of approximately 16.5% for the same period in 2022. Excluding damaged and obsolete charges of $1.9 million for the three months ended March 31, 2022, the gross margin was approximately 27.4% for the three months ended March 31, 2022, compared to a gross margin of approximately 29.3%, for the three months ended March 31, 2023.

Industrial Goods

For the three months ended March 31, 2023, our Industrial Goods operating segment reported net sales of approximately $16.1 million compared to approximately $29.4 million for the same period in 2022, representing a decrease of $13.2 million or 45.1%. The year-over-year decrease was due to a major restructuring effort by the company to rightsize the business during fiscal year 2022 to reduce the sales and marketing costs to align with the gross profit and the announcement to sell the Company's packaging business interrupting sales.

For the three months ended March 31, 2023, the cost of sales increased by $13.3 million, or 50.8%, as compared to the same period in 2022. The decrease in the cost of sales was primarily due to the 45.1% decrease in the net sales of the Industrial Goods.

The gross margin was approximately 20.0% for the three months ended March 31, 2023, compared to a gross margin of approximately 10.7% for the same period in 2022. Excluding damaged and obsolete charges of $5.8 million for the three months ended March 31, 2022, the gross margin was approximately 25.3% for the three months ended March 31, 2022, compared to a gross margin of approximately 20% for the three months ended March 31, 2023.

Net Sales by Geographic Regions

	Three Months Ended March 31,					
			% of Net sales		Change	
	2023	2022	2023	2022	$	%
Net sales:						
United States	$ 22,392	$ 42,991	93.5 %	92.4 %	$ (20,599)	(47.9)%
Canada	$ 306	$ 1,855	1.3 %	4.0 %	(1,549)	(83.5)%
Europe	$ 1,261	$ 1,688	5.2 %	3.6 %	(427)	(25.3)%
Total net sales	$ 23,959	$ 46,534	100.0 %	100.0 %	$ (22,575)	(48.5)%

United States

For the three months ended March 31, 2023, our net sales in the United States was approximately $22.4 million, compared to approximately $43.0 million for the same period in 2022, representing a decrease of $20.6 million, or 47.9%. The year-over-year decrease in net sales was due to a major restructuring effort and shift in strategy to focus on in-house brands that carry a higher margin profile while rationalizing out third-party brand offerings which generated top line revenue with lower margins. The Company is focused on profitable revenue and as a result top line revenue has significantly been reduced. Net sales were also affected by the sale of the Company's minority interest in the Vibes brand during 2022 and the Company's announcement of its intention to sell its packaging business, which adversely affected sales. Concurrently, the Company has focused on right-sizing the business during the fiscal year ended December 31, 2022 to reduce sales and marketing costs and to reduce or eliminate certain administrative functions.

Canada

For the three months ended March 31, 2023, our Canadian net sales were approximately $0.3 million, compared to approximately $1.9 million for the same period in 2022, representing a decrease of $1.5 million, or 83.5%. The decrease is related to a reduction in sales and marketing spend. The company is currently evaluating distribution and sales channels into Canada.

Europe

For the three months ended March 31, 2023, our European net sales were approximately $1.3 million, compared to approximately $1.7 million for the same period in 2022, representing a decrease of $0.4 million or 25.3%. The decrease in net sales was due primarily to major restructuring efforts to improve the profitability of our European operations.

Liquidity and Capital Resources

We believe that our cash on hand, combined with cash from operations and our ability to access the capital markets, will 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 at least the next 12 months.

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 our ATM Program (as defined below). As of March 31, 2023, we had approximately $5.9 million of cash, of which $0.4 million was held in foreign bank accounts, and approximately $25.7 million of working capital, which is calculated as total current assets minus total current liabilities, as compared to approximately $6.5 million of cash, of which $0.8 million was held in foreign bank accounts, and approximately $41.0 million of working capital as of December 31, 2022. 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 have an effective shelf registration statement on Form S-3 (the "Shelf Registration Statement"); however, for so long as our public float is less than $75 million, our ability to utilize the Shelf Registration to raise capital is limited as further set forth in the paragraph below. The Shelf Registration Statement registers shares of our Class A common stock, preferred stock, $0.0001 par value per share (the "preferred stock"), depository shares representing our preferred stock, warrants to purchase shares of our Class A common stock, preferred stock or depository shares, and rights to purchase shares of our Class A common stock or preferred stock that may be issued by us in a maximum aggregate amount of up to $200 million. In August 2021, we filed a prospectus supplement and 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. 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. However, we may be unable to access the capital markets because of current market volatility and the performance of our stock price.

On March 31, 2022, the date on which our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the "2021 Annual Report") was filed with the SEC, the Shelf Registration Statement became subject to the offering limits set forth in Instruction I.B.6 because our public float was less than $75 million. For so long as our public float is less than $75 million, the aggregate market value of securities sold by us under the Shelf Registration Statement (including our ATM Program) pursuant to Instruction I.B.6 during any 12 consecutive months may not exceed one-third of our public float. 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. In light of our low cash position, we have been forced to sell stock under our ATM program at prices that may not otherwise be attractive and are dilutive. We have sold $2.2 million in securities pursuant to Instruction I.B.6 in the 12 calendar months preceding the date of filing of this Quarterly Report on Form 10-Q. Following the completion of the June 2022 Offering (as defined below) 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 time due to the restrictions under Instruction I.B.6 to Form S-3, which will limit our liquidity options in the capital markets for a period of time.

On February 3, 2023, we filed a Registration Statement on Form S-1 (the "February 2023 S-1") seeking to register the public offering of up to $8.0 million in units, which has not yet become effective. We can provide no assurances as to whether the February 2023 S-1 will become effective, or whether we will undertake this public offering following the filing of this Quarterly Report on Form 10-Q.

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 all of our rights to payment from the United States Internal Revenue Service with respect to the employee retention credits filed by us under the Employee Retention Credit program.

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, 2022. 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 March 31, 2023, 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:

	Three Months Ended March 31,	
(in thousands)	**2023**	**2022**
Net cash provided by (used in) operating activities	$ 1,883	$ (12,023)
Net cash used in investing activities	(176)	(709)
Net cash provided by (used in) financing activities	(8,189)	5,674

Net Cash Provided by (Used) in Operating Activities

During the three months ended March 31, 2023, net cash provided by operating activities of approximately $1.9 million consisted of (i) net loss of $10.2 million, offset by non-cash adjustments to net loss of approximately $2.4 million, including depreciation and amortization expense of approximately $2.0 million and stock based compensation expense of $0.2 million, and (ii) a $9.7 million decrease in working capital primarily driven by decreases in inventories, vendor deposits and other current assets of approximately $9.0 million, including cash collections of approximately $4.9 million related to ERC sales, and increases in accounts payable and accrued expenses of approximately $2.9 million, offset partially by a $1.4 million increase in accounts receivable and a $0.8 million decrease in customer deposits.

During the three months ended March 31, 2022, net cash used in operating activities of approximately $12.0 million consisted of (i) net loss of $18.7 million, offset by non-cash adjustments to net loss of approximately $1.8 million, including depreciation and amortization expense of approximately $2.4 million, stock-based compensation expense of approximately $0.9 million, and an offsetting reversal on the allowance of an indemnification receivable of approximately $1.8 million, and (ii) a $4.9 million decrease in working capital primarily driven by increases in accounts payable, accrued expenses and decreases in vendor deposits aggregating to approximately $16.6 million, offset by increases in accounts receivable, inventories, other current assets, and decreases in customer deposits aggregating to approximately $11.7 million.

Net Cash Used in Investing Activities

During the three months ended March 31, 2023, net cash used in investing activities of approximately $0.2 million consisted primarily of capital expenditures.

During the three months ended March 31, 2022, net cash used in investing activities of approximately $0.7 million largely consisted of capital expenditures, including development costs for our new ERP system.

Net Cash Provided by (Used in) Financing Activities

During the three months ended March 31, 2023, net cash used in financing activities of approximately $8.2 million consisted of repayments of the Asset-Based Loan of approximately $6.5 million, payments on the Eyce and DaVinci promissory notes of approximately $0.9 million, and Asset-Based Loan costs incurred of approximately $0.8 million.

During the three months ended March 31, 2022, net cash provided by financing activities of approximately $5.7 million primarily consisted of cash proceeds of approximately $6.8 million from the issuance of Class A common stock through our ATM Program, offset primarily by approximately $1.0 million in payments on notes payable, finance lease obligations and other long-term liabilities.

Critical Accounting Policies and Estimates

See Part II, Item 7, "Critical Accounting Policies and Estimates" in our Annual Report on Form 10-K for the year ended December 31, 2022.

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 March 31, 2023. Based upon their evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of March 31, 2023, 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, 2022, which have not yet been remediated as of March 31, 2023.

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 we expect will be 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 expects to focus its allocation of organizational resources to ensure the successful implementation of the new ERP system, including as it relates to designing and implementing effective control activities. Conversely, management expects limited efforts related to re-designing user access roles and permissions in the legacy ERP system in 2023. 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 we complete the implementation of our new ERP system. 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 will fully replace 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. As the phased implementation of the new ERP system progresses, we expect to continue 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 March 31, 2023 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

As of March 31, 2023, there have been no material changes from the risk factors previously disclosed in response to “Part I – Item 1A. ‘Risk Factors’” in our Annual Report on Form 10-K for the year ended December 31, 2022, filed with the SEC on March 31, 2023.

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

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
3.1	Amendment to the Second Amended and Restated Bylaws of Greenlane Holdings, Inc. (Incorporated by reference to Exhibit 3.1 to Greenlane's Current Report on Form 8-K, filed on April 12, 2023).
3.2	Certificate of Designation of the Series A Preferred Stock (Incorporated by reference to Exhibit 3.2 to Greenlane's Current Report on Form 8-K, filed on April 12, 2023).
10.1*	Amendment No. 2, dated as of February 9, 2023, to Loan and Security Agreement, by and between Greenlane Holdings, Inc, the subsidiaries of Greenlane Holdings, Inc. named therein as guarantors, the parties thereto from time to time as Lenders, and WhiteHawk Capital Partners LP, as the agent for the Lenders.
10.2*†	Risk Participation of ERC Claim Agreement, dated as of February 16, 2023.
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 March 31, 2023, 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 imbedded within the Inline XBRL document.
104*	Cover Page Interactive Data File – the cover page XBRL tags are embedded within the Inline XBRL.

* Filed herewith.

† Confidential treatment requested as to portions of the exhibit. Confidential materials omitted and filed separately with the 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: May 15, 2023	By:	/s/ Lana Reeve
		Lana Reeve Chief Financial and Legal Officer (Principal Financial and Accounting Officer)

RISK PARTICIPATION OF ERC CLAIM AGREEMENT

Dated as of February 17, 2023

Parties. Identification of the "Parties" (each a "Party"):

Seller(s):

Warehouse Goods LLC ("Warehouse") with an address at 1095 Broken Sound Pkwy, Suite 100, Boca Raton, FL 33487, and **Kim INTERNATIONAL LLC (formerly Kim International Corporation)** ("Kim") with an address at 2312 Park Avenue, #607, Tustin, CA 92782 (Warehouse and Kim, each a "Seller" and together, "Sellers").

Buyer:

[redacted] (the "Buyer") with an address [redacted].

1. On the Effective Date (as such term is defined below), pursuant to this Risk Participation of ERC Claim Agreement (this "Agreement"), each Seller, for good and valuable consideration, the sufficiency of which is hereby acknowledged, and for the Purchase Price (the "Purchase Price") set forth on Exhibit A hereto, does hereby irrevocably sell, transfer, grant and convey to Buyer, and Buyer does hereby irrevocably purchase and acquire from each Seller, all of each Seller's rights, title and interest in the Transferred Interests (as such term is defined below).

(a) Risk Participation; Transferred Interests. For purposes of this Agreement, the "Transferred Interests" means all of each Seller's rights to receive any and all payments, proceeds or distributions of any kind (without set-off, deduction or withholding of any kind) from the United States Internal Revenue Service (the "IRS") in respect of the employee retention credits duly and timely claimed by each Seller on account of qualified wages paid by each Seller and identified as a "Claim for Refund" under Form 941-X *Adjusted Employer's Quarterly Federal Tax Return or Claim for Refund* for the first (1st), second (2nd), and third (3rd) quarters of 2021, dated December 8, 2022 and filed with the IRS on or about December 16, 2022 (a true and complete copy of which is attached as Exhibit B hereto) (the "Tax Refund Claim") in the aggregate amount of [redacted] (the "Claim Amount") as set forth in line item 27 of Part 3 thereof. Notwithstanding anything to the contrary contained herein, (i) the relationship between each Seller and Buyer under this Agreement with respect to the Transferred Interests is that of seller and purchaser, with each Seller having irrevocably transferred to Buyer the right to receive from each Seller 100% of the monies or property received by each Seller with respect to the Tax Refund Claim in exchange for the Purchase Price, and (ii) this Agreement shall not constitute an assignment or transfer or agreement to assign or transfer all or any part of each Seller's legal title in and to the Tax Refund Claim. It is the express intent of the Parties that sale of the Transferred Interests by each Seller to Buyer hereunder be, and shall be treated for all purposes as, a true sale by each Seller of the Transferred Interests. Buyer shall not be subrogated to or substituted in respect of each Seller's claims by virtue of any payment under this Agreement, and Buyer shall have no direct contractual relationship with the IRS by reason of this Agreement. Buyer does not assume and shall not be responsible for any obligations, liabilities or expenses of any Seller related to or in connection with the Tax Refund Claim or any of each Seller's obligations, liabilities, or expenses (including any which may arise pursuant to an audit or otherwise) owing to the IRS or any authority or instrumentality of the United States. For the avoidance of doubt, in the event that the IRS audits any Seller's Claim for Refund and in connection therewith or for any reason, subsequently seeks the return or disgorgement (via offset or otherwise), of all or any portion of any refund amount paid to any Seller on account of its Tax Refund Claim, each Seller shall have no claim against Buyer for any such amount (even if Buyer collected such funds from the IRS).

(b) Distributions. For purposes of this Agreement, "Distribution" means any payment or other distribution of cash (including interest or proceeds) by check or by credit received by any Seller from the IRS in respect of the Transferred Interests, whether prior to or after the Effective Date.

2. Effective Date; Purchase Price. Upon the execution and delivery of this Agreement by both Parties and each Seller's delivery to Buyer of [redacted] shall, within one (1) business day of receipt the Sale Documents, pay to each Seller the Purchase Price by wire transfer of immediately available funds (without setoff, deduction or withholding of any kind) in U.S. dollars into each Seller's account pursuant to the wire instructions set forth on Exhibit A. The date Buyer remits payment of the Purchase Price to each Seller (less the amount of any holdbacks, if any, as set forth in this Agreement) shall be the "Effective Date". Notwithstanding the foregoing, each Seller has advised Buyer of the existence of certain liens and/or outstanding balances in favor of certain lenders and/or taxing authorities, including but not limited to the IRS, which may be secured by the Tax Refund Claim. Without limiting the effectiveness of the sale, transfer, grant or conveyance of the interest in the Tax Refund Claim to Buyer provided for in this Agreement, Buyer shall not be required to pay one hundred twenty percent (120%) of the balances currently known to be owed by each Seller to the IRS. Buyer shall pay such amount to Seller not later than five (5) business days of Buyer's receipt of proof satisfactory to Buyer in its reasonable determination that all balances owed by each Seller with the IRS have been satisfied, which proof each Seller shall use its best efforts to obtain promptly following the Effective Date. Notwithstanding the foregoing, each Seller authorizes Buyer to pay, at its option, any amounts necessary directly to the IRS to resolve any outstanding balances.

3. Seller Representations and Warranties. Each Seller hereby represents and warrants that as of the date hereof and as of Effective Date: (i) the execution and delivery of this Agreement by each Seller and, as applicable, Guarantor (as defined below) has been duly authorized by all necessary corporate action on the part of each Seller; (ii) this Agreement constitutes valid and binding obligations of each Seller and Guarantor in accordance with its terms; (iii) the execution and delivery of this Agreement by each Seller and Guarantor and the performance by each Seller or Guarantor of their obligations under this Agreement, shall not result in a breach or violation of any law, regulation, other obligation or contract to which each Seller or Guarantor is party or otherwise bound; (iv) each Seller has a right to receive all Distributions in the amount of the Claim Amount, and each Seller is the owner of a 100% interest in the Tax Refund Claim free and clear of any liens, claims, pledges, security interests or any other encumbrance of any kind; (v) the Tax Refund Claim has been duly executed and timely and properly filed with the IRS in the aggregate amount of the Claim Amount, a true and complete copy of the Tax Refund Claim is attached as Exhibit B to this Agreement, and the Tax Refund Claim has not been revoked, withdrawn, or otherwise retracted or modified in any respect, no right thereunder has been waived and all statements in such Tax Refund Claim are true and correct as of the date hereof; (vi) each Seller has delivered to Buyer true and correct copies of all documents and records supporting the Tax Refund Claim and Claim Amount; (vii) [redacted]

[redacted]
each Seller is not insolvent, is not the subject of any voluntary or involuntary petition under the United States Bankruptcy Code or any other bankruptcy, insolvency, receivership or similar law, and has not admitted its inability to, or failed to, pay its debts generally as they become due; (ix) the Transferred Interests are not and will not be subject to any Impairment (as defined below); (x) each Seller has timely filed all of its federal and state tax returns (including for income taxes and all other taxes), such tax returns are complete and accurate, and all federal and state taxes due and owing by each Seller have been paid; (xi) each Seller has not filed, and will not file, any request, through IRS Form 941 or otherwise, for setoff of future tax liabilities against its Tax Refund Claim; (xii) the Claim Amount is not less than [redacted] and no payment or other distribution has been received, or to each Seller's knowledge, will be imminently received by or on behalf of any Seller in full or partial satisfaction thereof as of the Agreement Date; (xiii) each Seller is capable of evaluating the merits, risks and suitability of selling the Transferred Interests, and except for the express representations, warranties and acknowledgements of Buyer in this Agreement, each Seller is relying exclusively on its own sources of information and analysis with respect to the sale of the Transferred Interests, and (xiv) Buyer has not participated in any respect in the preparation, calculation or filing of either Seller's Tax Credit Claim, and that each Seller has independently and without reliance on Buyer, and based on the advice of its own retained professionals or consultants, prepared and filed its Tax Credit Claim with the IRS.

4. Buyer's Representations and Warranties. Buyer represents and warrants, that as of the date hereof and as of the Effective Date: (i) the execution and delivery of this Agreement by Buyer has been duly authorized by all necessary corporate action on the part of Buyer; (ii) this Agreement constitutes, assuming the due execution and delivery by each Seller, valid and binding obligations of Buyer in accordance with their terms; (iii) the execution and delivery of this Agreement by Buyer and the performance by Buyer of its obligations under this Agreement, shall not result in a breach or violation of any law, regulation, other obligation or contract to which Buyer is party or otherwise bound; and (iv) Buyer is a sophisticated institutional investor and has such knowledge and experience in financial and business matters and expertise in assessing the purchase of the Transferred Interests, is capable of evaluating the merits, risks and suitability of purchasing the Transferred Interests, and except for the express representations, warranties and acknowledgements of each Seller in this Agreement, is relying exclusively on its own sources of information and investment analysis with respect to the purchase of the Transferred Interests.

5. Additional Agreements. Buyer and each Seller acknowledges and agrees that (a) each Seller's sale of the Transferred Interests to Buyer, and Buyer's purchase of the Transferred Interests from each Seller, are irrevocable and without representation or warranty, whether expressed or implied, of any kind or character by Buyer or any Seller, except as expressly provided in this Agreement, (b) each Seller shall have no recourse to Buyer, and Buyer shall have no recourse to any Seller, except for breaches of the other party's representations, warranties, or covenants, and as set

forth in Section 7, recourse to the Collateral (defined below), in each case as expressly stated in this Agreement, (c) Buyer and each Seller make only the representations and warranties set forth in the this Agreement, and (d) Buyer and each Seller agree that Buyer has the right, but not the obligation file any Form 941-X attached hereto as Exhibit B with the IRS if Buyer determines, in its sole discretion, that the 941-X was not received by the IRS or that resubmission of the 941-X to the IRS will further assist the IRS with processing the Tax Refund Claim.

6. Distributions/Guaranteed Obligations of Seller.

(a) Upon any Seller's or any other person's or entity's receipt at any time of any Distribution, each such Seller shall (i)(A) accept and hold such Distribution, or cause to be accepted and held, in trust for the sole benefit of Buyer, (B) not commingle the Distribution with its own funds, or cause it to not be commingled with such other person's or entity's own funds, (C) have no equitable or beneficial interest in such Distribution other than bare legal title, and (D) such Distribution shall for all purposes constitute property of Buyer and (ii) deliver such Distribution (free of any withholding, setoff, recoupment, or deduction of any kind) to Buyer promptly but in no event later than three (3) business days after the date on which such Seller receives such Distribution. Without limiting each such Seller's foregoing obligations set forth in (i) or (ii), if any such Seller fails to pay any Distribution to Buyer in accordance with the time period set forth herein, then such Seller shall pay interest on the amount of the Distribution received by such Seller at the rate of ten percent (10%) per annum for the period from (and including) the day on which such payment is received by such Seller to (but excluding) the day such payment is actually paid to Buyer.

(b) The undersigned "Guarantor" shall be jointly and severally liable as a guarantor of payment (and not of collection) of each Seller's obligations to (i) deliver, or cause the delivery of any Distribution received by Seller or any other person or entity to Buyer (or its successors and assigns) in accordance with the obligations set forth in Section 6(a); and (ii) use commercially reasonable efforts to promptly cause the liens and/or balances described in Section 2 of this Agreement to be released and discharged. For the avoidance of doubt: (A) in the event that any Seller or any other person or entity receives a Distribution and fails to deliver (or cause the delivery of) such Distribution to Buyer (or its successors and assigns) on or before the third (3rd) business day after receipt thereof, then Buyer shall be entitled to collect the amount of such Distribution, plus interest at the rate of ten percent (10%) per annum, directly from such Seller, Guarantor, and/or any other person or entity that has received a Distribution; and (B) if any Seller receives a Distribution prior to the Effective Date, such Distribution shall, at Buyer's option, be paid over to Buyer on the Effective Date or credited against the Purchase Price. By executing this Agreement in the space provided below, Guarantor acknowledges and agrees that its obligations hereunder: (i) are a guaranty of payment (and not only of collection) of any Distribution received by or for the benefit of any Seller prior to, on or after the date hereof, or any Distribution that Buyer does not receive as a result of the existence of any liens; (ii) that Guarantor is liable as a primary obligor for the turnover of any such Distribution or the amount thereof to Buyer, (iii) shall only be deemed discharged after the indefeasible delivery of any such Distribution to Buyer, with interest (if applicable), (iv) shall not be reduced, released, discharged, satisfied or otherwise impacted in connection with (I) any act or occurrence that might, but for the provisions hereof, be deemed a legal or equitable reduction, satisfaction, discharge or release and/or (II) Buyer's enforcement of remedies under this Agreement and (d) shall survive the foregoing exercise by Buyer of such enforcement of remedies irrespective of any settlement among any Seller and Buyer for an amount less than the amount of any Distribution that was not turned over to Buyer in accordance with this Section 6. Guarantor further acknowledges that it is the owner of each Seller and will receive a direct or indirect benefit from Buyer's acquisition of the Transferred Interests from each Seller.

7. Put Back Right. With respect to each Seller, in the event any of such Seller's representations and warranties set forth in Section 3 hereof are untrue, including, without limitation, any representations with respect to the Transferred Interests, the Tax Refund Claim, the Claim Amount, or the filing of tax returns and payment of taxes by such Seller, including without limitation as a result of all or any part of the Transferred Interests having been: (a) objected to by the IRS or otherwise asserted by the IRS to be, unenforceable or invalid, (b) impaired by the commencement by the IRS of any action or proceeding including, but not limited to any proceeding which seeks to reduce all or part of the Claim Amount, or (c) offset or setoff against unpaid taxes of such Seller, disallowed, reduced, subordinated or otherwise impaired by action of the IRS, in whole or in part for any reason whatsoever (any such event, an "Impairment"), Buyer shall have the right to put all or a portion of the Transferred Interests back to such Seller, whereupon such Seller shall be obligated to pay Buyer a repurchase price within ten (10) business days after demand of Buyer (the "Payment Date"), equal to the portion of the Claim Amount subject to the Impairment multiplied by the Purchase Rate (set forth on Exhibit A hereto), plus interest thereon at ten per cent (10%) per annum from the date hereof to the date of payment (the "Repurchase Price"), provided, however, that such a demand by Buyer shall not be deemed an election of remedies or any limitation on any other rights that Buyer may have hereunder or under applicable law.

8. Security Agreement. It is the intention of the parties hereto that the transactions contemplated by and subject to this Agreement, shall constitute and shall be treated as, a sale of the Transferred Interests, and a purchase thereof by Buyer, and not a loan for all purposes. If, notwithstanding such intention, the conveyance of the Transferred Interests from any Seller to Buyer shall be recharacterized as a loan and not a sale and purchase, it is the intention of the parties hereto that (i) such loan shall be deemed a secured loan and (ii) this Agreement shall constitute a security agreement under applicable law, and that each Seller shall be deemed to have granted to Buyer, and each Seller hereby grants to Buyer, a first priority security interest in all of each Seller's right, title and interest in, to and under the Transferred Interests now owned or at any time hereafter acquired by each Seller in the Transferred Interests or in which each Seller now has or at any time in the future may acquire any right, title or interest to the Tax Refund Claim and the proceeds thereof (collectively, the "Collateral"), free and clear of all claims, to secure the prompt and complete payment or performance in full when due, of all obligations of each Seller to Buyer under this Agreement. Each Seller hereby irrevocably authorizes Buyer at any time and from time to time to file in any file office in any jurisdiction that Buyer deems advisable (a) any Uniform Commercial Code financing statement providing the name of each Seller as debtor, Buyer, as a secured party and indicating the Collateral as collateral covered by a financing statement and (b) any other notice, filing or other document that Buyer deems necessary or advisable to perfect or protect the security interest or to maintain its first priority. To further ensure Buyer's first priority security interest in the Transferred Interests, each Seller shall have its creditor, WhiteHawk Capital Partners LP, pursuant to that certain Loan and Security Agreement, dated as of August 8, 2022 (the " Loan Agreement"), execute a lien carveout letter in substantially the same form as that attached as Exhibit F. Upon completion of performance of the obligations imposed upon each Seller by this Agreement, including but not limited to payment in full to Buyer of all Distributions or such other payments due to Buyer hereunder, Buyer will make all filings and undertake all actions necessary and/or appropriate to release the Collateral and terminate financing statements provided for herein.

9. Further Transfers. No Seller may assign or delegate all or any portion of its Transferred Interests or any of its obligations in respect of the Tax Refund Claim, the Transferred Interests, this Agreement, its rights under this Agreement, or any interest in any of the foregoing without the prior written consent of Buyer. Buyer may sell and grant a sub-participation interest in the Transferred Interests at any time without the prior written consent of any Seller.

10. Confidentiality. Buyer and each Seller agree that, without the prior consent of the other party, it shall not disclose the contents of this Agreement to any entity, except that any party may make any such disclosure (a) as required to implement or enforce this Agreement, (b) if required to

do so by any law, court, regulation, subpoena or other legal process, (c) to any governmental authority or self-regulatory entity having or asserting jurisdiction over it, (d) if its attorneys advise it that it has a legal obligation to do so or that failure to do so may result in it incurring a liability to any other entity or sanctions that may be imposed by any governmental authority or (e) to its affiliates, and to its and their directors, officers, employees, agents, professional advisors (including counsel) and auditors. This shall be a continuing obligation of each of the parties hereto, and shall survive the closing of the purchase and sale of the Transferred Interests. Notwithstanding the foregoing, Buyer may disclose this Agreement (with purchase price and purchase rate redacted) to any potential assignee, transferee or sub-participant, so long as such assignee, transferee or sub-participant is bound by a confidentiality obligation that is at least as restrictive as the terms of this Section 10.

11. Expenses. Each Seller shall be responsible for and pay any and all costs or expenses incurred or owing in connection with the preparation or filing of the Tax Refund Claim. Each of Buyer and Sellers shall bear its own costs and expenses, including legal fees, in connection with the preparation and execution of this Agreement.

12. Survival; Jurisdiction. All representations, warranties, covenants and agreements contained herein shall survive the execution, delivery and performance of this Agreement. Each Party hereby irrevocably and unconditionally submits, for itself and its property, to the exclusive jurisdiction of the United States District Court of the Southern District of New York, or, only in the event that the United States District Court for the Southern District of New York determines that it does not have jurisdiction over such action or proceeding arising out of or relating to this Agreement, any court of the State of New York sitting in New York County, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined to the extent permitted by law, in such Federal court, or such state court, if applicable.

13. Further Assurances. [redacted] Each Seller shall maintain current, accurate and complete books and records regarding the Tax Refund Claim and shall make such books and records available for Buyer's inspection upon reasonable prior notice.

14. Time of Essence. Time is of the essence for the performance of all obligations in this Agreement.

15. Severability. If any provision of this Agreement is partially or completely invalid or unenforceable in any jurisdiction, then that provision shall be invalid or unenforceable in that jurisdiction to the extent of its invalidity or unenforceability, but the invalidity or unenforceability of that provision shall not affect the validity or enforceability of any other provision of this Agreement, all of which shall be construed and enforced as if that invalid or unenforceable provision were omitted, nor shall the invalidity or unenforceability of that provision in one jurisdiction affect its validity or enforceability in any other jurisdiction.

16. Successors and Assigns. This Agreement and any of the rights and obligations set forth herein shall inure to the benefit of each Seller and Buyer and their permitted successors and assigns and shall be binding upon and enforceable against Buyer and each of the Sellers and their permitted successors and assigns. This Agreement is solely for the benefit of each of the Sellers and Buyer and their permitted successors and assigns and nothing contained herein shall be deemed to confer upon anyone other than each Seller and Buyer and their permitted successors and assigns any right to insist upon or enforce the performance or observance of any of the rights and obligations set forth herein. Section 6 of this Agreement is binding upon the Guarantor and any of its heirs, personal representatives, successors and assigns.

17. Governing Law. THIS AGREEMENT AND ALL MATTERS ARISING HEREUNDER OR IN CONNECTION WITH THE TRANSACTIONS AND SUBJECT MATTER DESCRIBED IN THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO CONFLICTS OF LAWS PRINCIPLES WHICH MAY REQUIRE OR PERMIT THE APPLICATION OF ANOTHER JURISDICTION'S LAW.

18. Buyer's Remedies. Buyer may proceed to protect and enforce any or all of its rights under this Agreement by suit in equity or action at law, whether for the specific performance of any covenants or agreements contained in this Agreement or otherwise, and shall be entitled to require and enforce the performance of all acts and things required to be performed hereunder by each Seller or Guarantor. Each and every remedy of Buyer shall, to the extent permitted by law, be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity.

19. Entire Agreement. This Agreement (and the Exhibits hereto) constitute the entire agreement of the Parties with respect to the Transferred Interests and supersede all previous and contemporaneous negotiations, promises, covenants, agreements, understandings, representations and warranties in respect thereof, all of which have become merged and finally integrated into this Agreement.

20. Counterparts; Delivery by Email. This Agreement may be executed in multiple counterparts and all of such counterparts taken together shall be deemed to constitute one and the same instrument. Transmission by email of an executed counterpart of this Agreement shall be deemed to constitute due and sufficient delivery of such counterpart. Each fully executed counterpart of this Agreement shall be deemed to be a duplicate original.

[*Signatures on following page*]

IN WITNESS WHEREOF, the undersigned has duly executed this Agreement by its duly authorized representative on the date first written above.

WAREHOUSE GOODS LLC

By: /s/ Craig Snyder
Name: Craig Snyder
Title: CEO

KIM INTERNATIONAL LLC

By: /s/ Lana Reeve
Name: Lana Reeve
Title: Chief Financial and Legal Officer

____

By:
Name:

Title:

GUARANTOR:

GREENLANE HOLDINGS, INC.

/s/ Craig Snyder ____________________________
Name: Craig Snyder
Title: CEO

Exhibit 31.1

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

I, Nicholas Kovacevich, 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: May 16, 2022

/s/ NICHOLAS KOVACEVICH
Nicholas Kovacevich
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, William Mote, 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: May 16, 2022

/s/ WILLIAM MOTE

William Mote
Chief Financial 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 March 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nicholas Kovacevich, the Chief Executive Officer of the Company, and I, William Mote, 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: May 16, 2022

/s/ NICHOLAS KOVACEVICH
Nicholas Kovacevich
Chief Executive Officer
(Principal Executive Officer)

/s/ WILLIAM MOTE
William Mote
Chief Financial Officer
(Principal Financial Officer)