

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

FORM 10-K/A  
(Amendment No. 1)

(Mark One)

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

For the fiscal year ended December 31, 2022

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	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

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

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

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

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

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

The aggregate market value of the common equity held by non-affiliates of the registrant as of June 30, 2022, the last business day of the registrant's most recently completed second fiscal quarter, was approximately \$22.3 million based upon the closing price reported for such date on the Nasdaq Global Market.

As of March 31, 2023, Greenlane Holdings, Inc. had 15,878,404 shares of Class A common stock outstanding.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's Proxy Statement for the 2023 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Form 10-K/A to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2022.

---

---

## EXPLANATORY NOTE

### Overview

Greenlane Holdings, Inc. ("Greenlane, the "Company", "we", "our" and similar terms) is filing this Amendment No. 1 on Form 10-K/A ("Amendment No. 1") to amend and restate certain items presented in the Company's Annual Report on Form 10-K for the year ended December 31, 2022, which was initially filed with the Securities and Exchange Commission ("SEC") on March 31, 2023 (the "Original Form 10-K"). This Amendment No. 1 contains our audited restated annual financial statements as of and for the year ended December 31, 2022 and our unaudited restated quarterly condensed financial statements for the quarterly and year-to-date periods ended September 30, 2022 (collectively, the "Affected Periods"), respectively, which have been restated to correct certain errors related to the accounting for definite-lived intangibles and property and equipment as further described below (the "Misstatements") (refer to "Note 2 — Summary of Significant Accounting Policies - Restatement of Previously Issued Financial Statements" and "Note 14 — Selected Quarterly Financial Information (Unaudited)" to our financial statements included in Part II, Item 8 of this Amendment No.1 for additional information).

In addition, we intend to file amendments (such reports, together with this Amendment No. 1, the "Amended Reports") to the Company's Quarterly Report on Form 10-Q/A for the quarterly period ended March 31, 2023, originally filed with the SEC on May 16, 2023 and the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2023, originally filed with the SEC on August 14, 2023 ("Original Forms 10-Q" and together with the Original Form 10-K, the "Original Reports"), to account for the Misstatements during the periods presented therein and to restate our unaudited condensed financial statements for the quarterly periods ended March 31, 2023 and June 30, 2023. All material restatement information that relates to the Misstatements will be included in the Amended Reports, and we do not intend to separately amend other filings that the Company has previously filed with the SEC. As a result, such prior reports should no longer be relied upon.

This Amendment No. 1 also includes amendments to and restates and revises the following items of the Original Form 10-K as of and for the year ended December 31, 2022:

- Part I — Item 1A. Risk Factors
- Part II — Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
- Part II — Item 8. Financial Statements and Supplementary Data
- Part IV — Item 15. Exhibits, Financial Statement Schedules

In accordance with applicable SEC rules, this Amendment No. 1 includes new certifications specified in Rule 13a-14 under the Exchange Act from our Chief Executive Officer and Chief Legal and Financial Officer dated as of the date of this filing. This Amendment No. 1 also contains a modified report of Marcum LLP ("Marcum"), the Company's independent registered public accounting firm, on the financial statements for year ended December 31, 2022 and a new consent of Marcum.

Other than as described above, this Amendment No. 1 does not reflect adjustments for events occurring after the filing of the Original Form 10-K except to the extent that they are otherwise required to be included and discussed herein. See below and Part II, Item 8, "Note 2 — Summary of Significant Accounting Policies - Restatement of Previously Issued Financial Statements" in the notes to the financial statements included in this Amendment No. 1, for a detailed discussion of the effect of the restatement on the financial statements included in this Amendment No. 1.

Except as noted herein, the information included in the Original Form 10-K remains unchanged. This Amendment No. 1 continues to describe the conditions as of the date of the Original Form 10-K and, except as contained herein, we have not updated or modified the disclosures contained in the Original Form 10-K to reflect any events that have occurred after the Original Form 10-K. Accordingly, forward-looking statements included in this Amendment No. 1 may represent management's views as of the Original Form 10-K and should not be assumed to be accurate as of any date thereafter. This Amendment No. 1 should be read in conjunction with the Company's filings made with the SEC subsequent to the filing of the Original Form 10-K, including any amendment to those filings.

### Background on the Restatement

As previously disclosed in the Company's Current Report on Form 8-K filed with the SEC on November 15, 2023, on November 10, 2023, the Audit Committee of the Board of Directors (the "Audit Committee") of the Company, after consultation with management and discussions with Marcum LLP, the Company's independent registered public accounting firm for the fiscal year ended December 31, 2022, concluded that the sequence it used in applying the guidance in ASC 360-10-35 and ASC-350-10 was done out of order in determining whether an impairment of its definite-lived intangible assets existed as of September 30, 2022. Under the guidance provided by ASC 360-10-35, the carrying amounts of any assets that are not within the scope of ASC 360-10, other than goodwill, should be adjusted for impairment, as necessary, prior to testing long-lived assets for impairment under ASC-350-10 and the carrying amount of assets within the scope of ASC 360-10 should be adjusted for impairment prior to testing goodwill for impairment under ASC 350-10.

Additionally, on January 2, 2024, the Audit Committee, after consultation with management and discussions with Marcum LLP, concluded that carrying value of the Company's ERP system capitalized cost under ASC 360-10 was impaired due to the asset not being able to be sold separately from the business, and the current enterprise value of the business does not support the carrying value of the ERP system.

As a result, the carrying balance of definite-lived intangible assets and property and equipment was overstated in the Company's previously issued unaudited consolidated financial statements for the quarterly period ended September 30, 2022, which also impacted the audited consolidated financial statements for the annual period ended December 31, 2022, and the quarterly unaudited consolidated financial statements for the quarterly periods ended March 31, 2023 and June 30, 2023 (collectively, the "Affected Periods"), as well as the relevant portions of any communication or filings which describe or are based on such financial statements, and therefore these financial statements for the Affected Periods should no longer be relied upon and are to be restated.

These changes are to non-cash items and do not change the Company's reported operating revenues or costs of goods sold, however, the Company determined that these changes have a material impact on the as-filed financial statements for the Affected Periods, and as a result, the restatement of the Affected Periods is required.

There was no impact to net cash flows related to operating, financing or investing activities for any of the Affected Periods.

**Greenlane Holdings, Inc.**  
**Form 10-K/A**  
**For the Fiscal Year Ended December 31, 2022**

**TABLE OF CONTENTS**

	Page
<a href="#">Note About Forward-Looking Statements</a>	<a href="#">1</a>
<b>PART I</b>	
Item 1. <a href="#">Business</a>	<a href="#">3</a>
Item 1A. <a href="#">Risk Factors</a>	<a href="#">11</a>
Item 1B. <a href="#">Unresolved Staff Comments</a>	<a href="#">44</a>
Item 2. <a href="#">Properties</a>	<a href="#">44</a>
Item 3. <a href="#">Legal Proceedings</a>	<a href="#">44</a>
Item 4. <a href="#">Mine Safety Disclosures</a>	<a href="#">44</a>
<b>PART II</b>	
Item 5. <a href="#">Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	<a href="#">44</a>
Item 6. <a href="#">[Reserved]</a>	<a href="#">45</a>
Item 7. <a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	<a href="#">45</a>
Item 7A. <a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	<a href="#">57</a>
Item 8. <a href="#">Financial Statements and Supplementary Data</a>	<a href="#">57</a>
Item 9. <a href="#">Changes in Disagreements with Accountants on Accounting and Financial Disclosure</a>	<a href="#">105</a>
Item 9A. <a href="#">Controls and Procedures</a>	<a href="#">105</a>
Item 9B. <a href="#">Other Information</a>	<a href="#">108</a>
Item 9C. <a href="#">Disclosure Regarding Foreign Jurisdictions that Prevent Inspections</a>	<a href="#">108</a>
<b>PART III</b>	
Item 10. <a href="#">Directors, Executive Officers and Corporate Governance</a>	<a href="#">108</a>
Item 11. <a href="#">Executive Compensation</a>	<a href="#">108</a>
Item 12. <a href="#">Security Ownership of Certain Beneficial Owners and Related Stockholder Matters</a>	<a href="#">108</a>
Item 13. <a href="#">Certain Relationships and Related Transactions, and Director Independence</a>	<a href="#">108</a>
Item 14. <a href="#">Principal Accounting Fees and Services</a>	<a href="#">109</a>
<b>PART IV</b>	
Item 15. <a href="#">Exhibits, Financial Statement Schedules</a>	<a href="#">110</a>
Item 16. <a href="#">Form 10-K Summary</a>	<a href="#">113</a>
<b>Signatures</b>	<a href="#">113</a>

---

## NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Amendment No. 1 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, Item 7 of this Form 10-K/A 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. Important factors that could cause such differences include, but are not limited to, those discussed in Part I, Item 1A of this Form 10-K/A under the heading "Risk Factors" 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 this Form 10-K/A 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 health 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.

### Summary Risk Factors

Our business is subject to a number of risks, including risks that may prevent us from achieving our business objectives or may materially and adversely affect our business, financial condition, results of operations, cash flows and prospects. These risks are discussed more fully in Item 1A. Risk Factors herein. These risks include, but are not limited to, the following:

- Global economic conditions, including inflation and supply chain disruptions, could materially and adversely affect our business, prospects, results of operations, financial condition or cash flows.
- A significant percentage of our revenue is dependent on sales of products from a relatively small number of key suppliers, and a decline in sales of products from these suppliers could materially harm our business.
- We do not have long-term agreements or guaranteed price or delivery arrangements with most of our suppliers. The loss of a significant supplier would require us to rely more heavily on our other existing suppliers or to develop relationships with new suppliers. Such a loss may have an adverse effect on our product offerings and our business.
- We are vulnerable to third-party transportation risks, including governmental laws and common carriers' policies that prevent the shipment of the types of products we sell.
- If we are unable to successfully execute our liquidity and strategic initiatives, we may have significant cash constraints, which would have a material and adverse impact on our business and results of operations and ability to pay our debts as they come due.
- We may be required to seek additional financing sources, which may not be available to us on attractive terms if at all and could restrict our ability to engage in important business activities.
- Complications and disruptions associated with the design and implementation of our new ERP system have occurred and could adversely impact our business and operations in the future.
- While we believe that our business and sales do not violate the Federal Paraphernalia Law, legal proceedings alleging violations of such law or changes in such law or interpretations thereof could materially and adversely affect our business, financial condition, or results of operations.
- Officials of the U.S. Customs and Border Protection agency ("CBP") have broad discretion regarding products imported into the United States, and the CBP has on occasion seized imported products, and seizures of the products we sell could have a material adverse effect on our business operations or our results of operations.
- Our business depends partly on continued purchases by businesses and individuals selling or using cannabis and cannabis ancillary products pursuant to federal and state laws in the United States and laws in Canada, the European Union, United Kingdom, Mexico, and Latin America. Because our business is dependent, in part, upon continued market acceptance of cannabis by consumers, any negative trends could materially and adversely affect our business, financial conditions or results of operations. Additionally, we are subject to legislative uncertainty that could slow or halt the legalization and use of cannabis, which could negatively affect our business.
- The market for vaporizer products and related items is a niche market, subject to a great deal of uncertainty and is still evolving, including uncertainty related to the regulation of vaporization products and certain other consumption accessories. Increased regulatory compliance burdens, no matter how they arise, could have a material adverse impact on our business development efforts and our operations.
- Recently adopted laws prohibit the mailing of certain vaporizer products through the United States Postal Service ("USPS") and place certain regulatory requirements on shipment of those products through other carriers. Additionally, carriers including UPS and FedEx have imposed policies restricting the shipment of vaporizers. If a significant volume of the products we carry cannot be shipped by the USPS or private carriers, or we must comply with burdensome policies and regulations, our shipping costs could increase materially and we could lose our ability to deliver products to customers in a timely and economical matter.

- The FDA has expressed growing concern about the popularity among youth of certain vaporization products, including electronic nicotine delivery systems ("ENDS") and has imposed significant regulation on ENDS products. Additional regulatory actions may further impact our ability to sell these products, as well as other vaporization products, in the United States or online.
- Our narrow margins may magnify the impact of variations in operating costs and of adverse or unforeseen events on operating results.
- Management and employee turnover creates uncertainties and could harm our business.
- We and our customers may have difficulty accessing the service of banks, which may make it difficult for us and for them to sell our products.
- We have failed, and may continue to fail, to meet the listing standards of Nasdaq, and as a result our Class A common stock may become delisted, which could have a material adverse effect on the liquidity of our Class A common stock.
- The market price of our Class A common stock has been volatile and has declined significantly since our initial public offering and may face more volatility and price declines in the future. As a result, you may not be able to resell your shares at or above the price at which you have acquired or will acquire shares of our Class A common stock.
- Substantial sales and issuances of our Class A common stock have occurred and may continue to occur, or may be anticipated, which have caused and could continue to cause our stock price to decline and your percentage ownership may be diluted in the future.

## PART I

### ITEM 1. BUSINESS

#### General

Founded in 2005, Greenlane is a 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 provides 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, 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 more affordable product line – Groove, our innovative silicone pipes and accessories line – Eyce, our best-in-class premium vaporizer brand – DaVinci, our premium smoke shop and ancillary product brand – Higher Standards, and our child-resistant packaging brand - Pollen Gear. We also have category exclusive licenses for the premium Marley Natural branded products, as well as the Keith Haring branded products.

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, Greenco Science, PAX, Cookies and more. The Consumer Goods segment forms a central part of our growth strategy, especially as it relates to scaling our own portfolio of higher-margin proprietary owned brands. In addition to our Consumer Goods segment, we have our Industrial Goods segment, which focuses on serving Cannabis Operators by providing ancillary products essential to their daily operations and growth, such as packaging and vaporization solutions, including our Greenlane Brand Pollen Gear. Refer to "Note 11— Segment Reporting" within Item 8 to this Annual Report on Form 10-K/A for additional information on our reportable segments.



## 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 on April 23, 2019 and other related transactions 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. Refer to "Note 1—Business Operations and Organization" within Item 8 for further information on the Company's organization and the IPO and related transactions. We are the sole manager of the Operating Company and, as of December 31, 2022, owned a 100% interest in the Operating Company.

## Our Business Relating to the Cannabis Industry

*The information included below is based on the most recent information available to the Company and, except as expressly stated below, does not give effect to the continued impact of the COVID-19 pandemic; the long-term impacts of which remain uncertain as of the date of this Form 10-K.*

While we do not cultivate, distribute or dispense marijuana as that term is defined by the Controlled Substances Act, several of the products we distribute, such as vaporizers, pipes, rolling papers, and packaging solutions, can be used with marijuana or marijuana derivatives, as well as several other legal substances.

We believe the global cannabis industry is experiencing a transformation from a state of prohibition toward a state of legalization. We expect the number of states, countries, and other jurisdictions legalizing cannabis for medical and adult use will continue to increase, which will create numerous opportunities for market participants, including us.

### *U.S. Cannabis Landscape*

A January 2022 report of Cowen and Company, one of the leading investment banks and equity research firms serving the cannabis industry, estimated that spending in the U.S. legal cannabis market was approximately \$18.9 billion in 2020 and reached approximately \$25.3 billion in 2021, representing growth of approximately 33.9%. The report projects that by 2030, spending in the U.S. legal cannabis market will reach \$64.9 billion, representing a compounded annual growth rate of approximately 11% over the nine-year period from 2021. Our experience and awareness of the markets in which we operate lead us to believe that demand for the types of products we sell should grow in tandem with the industry.

### *The North American Cannabis Landscape*

*United States and Territories.* Twenty-one states, and the District of Columbia, have legalized cannabis for non-medical adult use with additional states, such as Ohio, actively considering the legalization of cannabis for non-medical adult use. An additional eighteen states have legalized medical cannabis in some form, with certain of those states permitting only low tetrahydrocannabinol ("THC") oils for a limited class of patients. Notwithstanding the continued trend toward further state legalization, cannabis continues to be categorized as a Schedule I controlled substance under the Federal Controlled Substances Act (the "CSA") and, accordingly, the cultivation, processing, distribution, sale, and possession of cannabis violate federal law in the United States as discussed further in Item 1A under the heading "Risk Factors." However, President Biden announced on October 6<sup>th</sup>, 2022, that he has asked the Secretary of Health and Human Services, along with the Attorney General, to initiate the administrative process to expeditiously review how cannabis is scheduled under Federal law which, combined with other statements, suggests cannabis' current Schedule 1 status pursuant to the CSA may be set to improve in the not-too-distant future. Our business depends partly on continued purchases by businesses and individuals selling or using cannabis and cannabis ancillary products pursuant to state laws in the United States.

### *Canada.*

Legal access to dried cannabis for medical purposes was first allowed in Canada in 1999. The Cannabis Act (the "Cannabis Act") currently governs the production, sale and distribution of medical cannabis and related oil extracts in Canada.

On April 13, 2017, the Government of Canada introduced Bill C-45, which proposed the enactment of the Cannabis Act to legalize and regulate access to cannabis. The Cannabis Act proposed a strict legal framework for controlling the production, distribution, sale and possession of medical and recreational adult-use cannabis in Canada. On June 21, 2018, the Government of Canada announced that Bill C-45 received Royal Assent. On July 11, 2018, the Government of Canada published the Cannabis Regulations under the Cannabis Act, which has been subsequently amended. The Cannabis Regulations provide more detail on the medical and recreational regulatory regimes for cannabis, including regarding licensing, security clearances and physical security requirements, product practices, outdoor growing, packaging and labelling, cannabis-containing drugs, document retention requirements, reporting and disclosure requirements, the new access to cannabis for

medical purposes regime and industrial hemp. The majority of the Cannabis Act and the Cannabis Regulations came into force on October 17, 2018, with additional Cannabis regulations coming into effect on October 17, 2019.

While the Cannabis Act provides for the regulation by the federal government of, among other things, the commercial cultivation and processing of cannabis for recreational purposes, it provides the provinces and territories of Canada with the authority to regulate in respect of the other aspects of recreational cannabis, such as distribution, sale, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

The governments of every Canadian province and territory have implemented regulatory regimes for the distribution and sale of cannabis for recreational purposes. Most provinces and territories have announced a minimum age of 19 years old, except for Alberta, where the minimum age will be 18. Certain provinces, such as Ontario, have legislation in place that restricts the packaging of vapor products and the manner in which vapor products are displayed or promoted in stores.

#### *The European Cannabis Landscape*

Europe's population is larger than that of the U.S. and Canadian markets combined, suggesting the potential of a very significant market. The changes in regulations for cannabis products across Europe are expected to result in a market growth, for medical cannabis, of approximately \$13.37 billion in annual sales by 2027, a significant growth from approximately \$4.96 billion in 2022.

Many European Union countries allow limited cannabis use for medicinal purposes, with some of those countries operating pilot programs. It has been widely reported that other countries are considering following suit. Additionally, certain countries in Europe, including Germany, are considering the adoption of laws that would legalize cannabis for adult use.

#### *Product Information*

Consumers of cannabis, herbs, flavored compounds, aromatherapy oils, and nicotine require the types of products we distribute, including vaporizers, pipes, rolling papers and packaging. Producers of cannabis products are able to source compliant packaging, vape hardware, and other products needed in the manufacturing and distribution stages of the supply chain. We believe we distribute the "picks & shovels" for these rapidly-growing industries and producers. As the world of cannabis and its respective aesthetic continues to expand, we strive to keep our product mix relevant, popular, and innovative; offering an array of products from vaporizers, grinders, pipes and other inhalation devices to storage solutions, to rolling papers and even apparel lines. As our product offerings continue to develop, we expect our revenue by categories to increase accordingly.

#### *Inhalation Delivery Methods*

There are two prevalent types of inhalation methods for cannabis and nicotine: combustion and vaporization. Vaporizers are devices that heat materials to temperatures below the point of combustion, extracting the flavors, aromas and effects of dry herbs and concentrates in the form of vapor. Measured by revenue, vaporizers are our largest product category.

#### *The Science and Popularity of Vaporization*

Vaporizers continue to increase in popularity and as a preferred method of consumption among a variety of demographics of consumers. They have elements that are designed to quickly heat material, causing vaporization to occur without the carbon dioxide that is typically generated through combustion. The vapor byproduct is then immediately inhaled through the mouthpiece on the device itself, or through a hose or an inflatable bag. Vaporizers can heat a variety of dry materials, viscous liquids and waxes, and provide a convenient way for users to consume the active ingredient such as tobacco, nicotine extracts, legal herbs, hemp-derived CBD, aromatherapy oils, cannabis, and propylene glycol and glycerin blends.

*Vaporization Technology.* Consumers have a wide array of vaporization devices at their disposal, which can be broadly categorized into two primary categories: desktop and portable vaporizers. Our vaporizer portfolio spans just shy of 200 distinct products across 12 brands.

*Desktop Vaporizers.* Vaporizers were first developed as desktop models that were powered through traditional electric power sources. Desktop vaporizers are capable of heating the material to a more precise temperature choice determined by the consumer or as advised by a health practitioner.

*Portable Vaporizers.* With the development of lithium batteries, vaporizers have now become portable. Technological advances are resulting in lighter, sleeker, and more visually-appealing units that are capable of quickly heating material to the user's desired temperature setting. Portable vaporizers, of which vape pens are a sub-set, are differentiated by many features, including output, battery life, recharge time, material, capacity, and design.

*Other Methods of Consumption.* In addition to vaporizers, consumers have a wide array of methods of consumption at their disposal, including, hand pipes, water pipes, rolling papers, and oral and topical delivery methods.

*Hand and Water Pipes.* We offer a diverse portfolio of over 200 hand and water pipes across five brands, including products within our Greenlane Brands. Many display iconic, licensed logos and artwork, as pipes have grown into an artistic expression and are available in countless creative forms and functionality. Hand pipes are small, portable and simple to use, and function by trapping the smoke produced from burning materials. Water pipes include large table-top models, bubblers and rigs, and incorporate the cooling effects of water to the burning materials before inhalation.

*Rolling Papers.* Rolling papers are a traditional consumption method used to smoke dried plant material in a "roll-your-own" application. These include papers, cones and wraps. Our rolling papers category is comprised of over 100 products across two unique brands, not including accessories such as rolling trays or tips.

## **Our Competitive Strengths**

We attribute our success to the following competitive strengths:

### *A Clear Market Leader in an Attractive Industry.*

We are a leading global platform for the development and distribution of premium cannabis accessories, packaging, vape solutions, and lifestyle products, reaching thousands of retail locations, including, licensed cannabis dispensaries, smoke shops, head shops, and specialty retailers. We also own and operate one of the industry's most visited North American direct-to-consumer e-commerce websites, Vapor.com, as well as PuffItUp.com, and Vaposhop which serves the European market. We also sell our proprietary products direct to consumers via DaVincivaporizer.com, Higherstandards.com, Eycemolds.com, and MarleyNaturalShop.com.

### *Market Knowledge and Understanding.*

Because of our experience and our extensive, long-term industry relationships, we believe we have a deep understanding of customer needs and desires in our Consumer Goods and Industrial Goods business segments. This allows us to influence customer demand and the pipeline between product manufacturers, suppliers, advertisers and the marketplace. We have also established strong relationships with a wide array of industry participants including leading MSOs, SSOs, retailers, and third party ancillary product producers.

### *Comprehensive and Best-in-Class Product Offering.*

We offer a curated portfolio of products and accessories across many major categories with diverse, best-in-class offerings that cater to our customers' needs. This comprehensive and best-in-class product offering creates a "one-stop shop" for many of our customers and positively distinguishes us from our competitors. In addition, we have carefully cultivated a portfolio of well-known brands and premium products and have helped many of the brands we distribute to become established names in the industry.

### *Entrepreneurial Culture.*

We believe our entrepreneurial, results-driven culture fosters highly-dedicated employees who provide our customers with superior service. We invest in our talent by providing ongoing training and have successfully developed programs that provide comprehensive product knowledge and tools needed to have a unique understanding of our customers' goals and decision-making processes.

*Customers.* We believe we offer superior services and solutions due to our comprehensive product offering, proprietary industry data and analytics, product expertise and quality of service. We deliver products to our customers in a precise, safe and timely manner with complementary support from our dedicated sales and service teams. In 2022, we launched our new business to business ("B2B") customer portal at Wholesale.Greenlane.com which provides our business customers seamless access to our catalog of products for purchase 24-hours a day, 365 days a year. Consumers can access our products easily by purchasing from our e-commerce properties or access many of our products via large marketplaces such as Amazon.

*Suppliers.* Our industry knowledge, market reach, and resources allow us to establish trusted relationships with many industry suppliers. Our senior management team makes tremendous efforts to establish and build these key relationships to help ensure Greenlane has a strong supply chain established for in-demand products at favorable pricing. Our suppliers can be categorized into two buckets, factories that produce our Greenlane Brand's products, as well as some generic products, and other third party branded products (who either manufacture themselves or outsource production) that Greenlane will, in essence, resell. While we purchase our products from over 150 suppliers, a significant percentage of our net sales is dependent on sales

of products from a small number of key suppliers, which is why strong relationships are essential to our future success. An important reason we have elected to focus on our Greenlane Brands is, since we own the brand itself (or license it), we can control which factory produces our products. Generally, there are a variety of capable factory partners and we are able to leverage our Greenlane Brands to negotiate better pricing and service. When reselling an established third-party brand's products, we are somewhat beholden to the one supplier who owns or distributes that brand. However, we do believe there is a trend of third-party branded suppliers in our industry to consolidate their relationships to do more business with fewer distribution partners. We believe our established track record, historical relationships, ability to be value-added, and overall size and scale position us to benefit from this trend.

*Employees.* We aim to recruit best-in-class talent to join our Greenlane team. We provide our employees with an entrepreneurial culture, a safe, fun and fast-paced work environment, financial incentives and career development opportunities.

*Experienced and Proven Management Team Driving Organic and Acquisition Growth.*

We recently revamped our management team to directly align with our strategic goals and initiatives. Our management team features vast relevant experience in consumer-packaged goods, product development, brand building, and e-commerce. In addition, our management team has expertise in accounting and finance, mergers and acquisitions, supply chain, information technology, and operations. Most importantly, our senior team has vast experience in the cannabis industry and other industries we serve, along with an understanding and appreciation for the historical and cultural nuances, including the social justice components.

## **Our Operating Strategies**

We intend to leverage our competitive strengths to increase shareholder value through the following core strategies:

*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. On March 10, 2022, we announced our strategic plan (the "2022 Plan") to reduce our cost structure, increase liquidity and accelerate our path to profitability. The 2022 Plan included multiple reductions in force, reduction of facility footprints worldwide, a sale leaseback of our headquarters building, disposition of non-core assets, discontinuation of lower-margin third-party brands, increase of prices on select products, and securing an asset-based loan (with respect to the sale of the Company's headquarters building, discontinuation and disposition of non-core and lower-margin inventory and securing an asset-backed loan, the "Liquidity Initiatives"). 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.

On June 22, 2022, we provided an update on the Liquidity Initiatives. The Liquidity Initiatives generated more than \$30.0 million of liquidity on a non-dilutive basis by the end of 2022. On July 19, 2022, Warehouse Goods entered into that certain Membership Interest Purchase Agreement and supporting documents to sell our 50% stake in VIBES Holdings LLC for total consideration of \$4.6 million in cash. Additionally, 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 as guarantors, the parties thereto from time to time as lenders (the "Lenders"), and WhiteHawk Capital Partners LP, as the agent for the Lenders. As described in 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). Subsequently, on August 16, 2022, 1095 Broken Sound Pwky entered into a Purchase and Sale Agreement with a third-party whereby 1095 Broken Sound agreed to sell a certain parcel of real estate including our headquarters building in Boca Raton, Florida for total consideration of \$9.95 million, and on September 22, 2022 we closed on the sale.

In 2022, we announced our plans to divest our packaging division. The divestiture should allow us to further consolidate our warehouse footprint into one U.S. warehouse for our Consumer Goods and remaining Industrial Goods. This initiative, combined with restructuring some of our other initiatives, should allow us to reduce our overall cost-structure, and in combination, convert millions of dollars of inventory back into working capital, thereby significantly improving our balance sheet.

Finally, we are working to sell 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 \$4.1 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 strategic initiatives will significantly reduce costs, help accelerate the Company's path to profitability, support the growth of the business in a non-dilutive manner, and allow the Company to reinvest capital into its highest margin and highest growth potential product lines, such as its Greenlane Brands.

Notwithstanding the 2022 Plan and Liquidity Initiatives, we were required to obtain additional capital through the sale of 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. See Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources. 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.

#### *Developing A World-Class Portfolio of Proprietary Brands.*

We intend to continue to develop a portfolio of our own proprietary brands (Greenlane Brands), which over time will help to increase our blended margins and create increased long-term value. Our brand development is based upon our proprietary industry intelligence that allows us to identify market opportunities for new brands and products. We leverage our distribution infrastructure and customer relationships to penetrate the market quickly with our proprietary brands and to gain placement in thousands of retail stores. Currently, we sell such products directly to consumers through our brand websites and our e-commerce properties. Over time, we expect an increasing percentage of our overall sales to be from our Greenlane Brands, which in turn should allow our gross margin to trend upwards and should allow for lasting brand value to be built in the marketplace.

#### *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.

#### *Enhance Our Operating Margins.*

We expect to enhance our operating margins as our business expands through a combination of additional product purchasing discounts, reduced inbound and outbound shipping and handling rates, reduced transaction processing fees, increased operating efficiencies, and realization of benefits through leveraging our existing assets and consolidated distribution facilities. Additionally, we expect that our operating margins will increase as our product mix continues to evolve to include a greater portion of our Greenlane Brands, which generally offer significantly higher gross margins than third-party branded products. Lastly, we are focused on converting more of our overall sales to be completed through technology platforms such as our e-commerce consumer sites, large marketplace sites like Amazon, and our proprietary B2B ordering portal at Wholesale.Greenlane.com. Transacting a higher percentage of our sales through automated technological platforms, versus the manual phone and email efforts in play today, should improve our overall operating margins.

#### *Build Upon Strong Customer and Supplier Relationships to Expand Organically.*

Our North American footprint and broad supplier relationships, combined with our regular interaction with our large and diverse customer base, provides us key insights and positions us to be a critical link in the supply chain for premium vaporization products and consumption accessories. Our suppliers benefit from access to thousands of brick and mortar retail locations as we are a single point of contact for improved production, planning and efficiency. Our customers, in turn, benefit from our market leadership, talented sales force, broad product offerings, high inventory availability, timely delivery and exceptional customer service. We believe our strong customer and supplier relationships will enable us to expand and broaden our market share in the premium vaporization products and consumption accessories marketplace and expand into new categories.

### *Pursue Value-Enhancing Strategic Acquisitions.*

Through our acquisitions of VaporNation (Better Life Holdings, LLC), Pollen Gear LLC, and Conscious Wholesale, we have added new markets within the United States and Europe, new product lines, talented employees, and operational best practices. On March 2021, we acquired substantially all of the assets of Eyce, which further diversified our Greenlane Brand offerings through the integration of Eyce premium silicone smoking products and accessories. On November 30, 2021, we acquired DaVinci, which expanded our Greenlane Brands portfolio and intellectual property pipeline of premium portable vaporizers. Given our current stock price level, we have decided to temporarily pause our acquisition activity. Once our stock price increases to a level that we believe is sufficient for accretive acquisitions, we intend to resume these strategic acquisitions to grow our market share and enhance leadership positions by taking advantage of our scale, operational experience, and acquisition know-how to pursue and integrate attractive targets. We believe we have significant opportunities to add product categories through our knowledge of our industry and possible acquisition targets.

### *Be the Employer of Choice.*

We believe our employees are the key drivers of our success, and we aim to recruit, train, promote and retain the most talented and success-driven personnel in the industry. Our size and scale enable us to offer structured training and career path opportunities for our employees, and within our sales and marketing teams, we have built an entrepreneurial culture that rewards performance. We are committed to being the employer of choice in our industry.

### **Business Seasonality**

We have historically experienced only moderate seasonality in our Consumer Goods business, particularly during the fourth quarter, which coincides with Cyber Monday (the first Monday after Thanksgiving, when online retailers typically offer holiday discounts), and as our customers build up their inventories in anticipation of the holiday season and for which we have related promotional marketing campaigns. Our Industrial Goods business is generally not affected by seasonality.

### **Human Capital Resources**

As of March 28, 2023, we had 145 full-time employees. Approximately 127 were employed in the U.S., and 18 were employed in Europe. None of our employees are represented by a labor union. We have never experienced a labor-related work stoppage.

As part of our 2022 Plan, we completed a series of reductions in force during 2022, which we expect to result in approximately \$8.0 million in annualized cash compensation cost savings. We believe our current headcount and resources are sufficient to execute our plan of achieving profitability in the near-term, while remaining flexible to scale our hiring as industry demand and our sales grow.

As we mention in our core operating strategies, we aim to be the employer of choice, as our employees are the key drivers of our success. We aim to recruit, train, promote and retain the most talented and success-driven personnel in the industry. Our industry knowledge and scale provide opportunities for our employees to obtain structured training and career path opportunities across all departments and positions. We are a company that operates with three core values: never settle, never follow, and never disrespect.

### *Culture and Engagement*

We exist to elevate all elements of the consumption experience. We are the driving force behind broadening accessibility to best-in-class ancillary products. We cultivate a passionate culture that empowers our team to thrive within our rapidly evolving industry. Our values are to: never settle, never follow, and never disrespect. We envision a world where humanity is free to enjoy mother nature's magic, and we pledge that each of our employees will play an integral role in helping us make our vision a reality.

Everything we do is powered by our vision and core values and our culture reflects that. As a result, we enjoy a highly motivated and skilled work force committed to our company. We send out regular employee engagement surveys, and in consultation with our employees we have addressed several opportunities to further improve our culture. By being open, honest, and transparent, our employees feel more actively engaged in our success.

### *Total Rewards, Pay Equity and Retention*

We strive to attract and retain diverse, high caliber employees who raise the talent bar by offering competitive compensation and benefit packages, regardless of their gender, race, or other personal characteristics. We regularly review and survey our compensation and benefit programs against the market to ensure we remain competitive in our hiring practices. We provide employee salaries that are competitive and consider factors such as an employee's role and experience, the location of their job and their performance. We also encourage, support, and compensate our employees based on our philosophy of

recognizing and rewarding exceptional performance. We believe that performance and development is an ongoing process in which all employees should be active participants. Individual and company key performance goals are linked to employee compensation, and we have begun work on a Greenlane Learning and Development curriculum that will include a blended approach to both in person and virtual learning.

## **Competition**

*Business-to-Business.* We operate in an evolving industry in which the market and its participants remain highly fragmented. Although it is difficult to find reliable independent research, we believe there is a vast number of potential B2B customers in North America comprised of licensed cannabis dispensaries, smoke shops, and specialty retailers. Our B2B customers compete primarily on the basis of the breadth, style, quality, pricing and availability of merchandise, the level of customer service, brand recognition and loyalty. We successfully reach our B2B customers through our direct sales force and other marketing initiatives, and provide them with our strategically-curated mix of brands and products, merchandise planning strategies and exceptional customer service. Among vaporizer product distributors, we compete against both suppliers and other distributors. A number of suppliers choose to distribute directly in some sales channels and may also operate their own e-commerce platforms. We face competition from many small privately-owned regional distributors that carry a narrow range of products. We believe there are only a select few wholesale distributors carrying a complete line of premium vaporization products and consumption accessories. Also, in 2022 we launched our new enhanced wholesale shopping business through our business ("B2B") customer portal at Wholesale.Greenlane.com which provides our business customers seamless access to our catalog of products for purchase 24-hours a day, 365 days a year. The wholesale website gives customers an improved user experience that features an easy-to-use layout to streamline processes and allows customers to interact with us at their convenience.

*Business-to-Consumer.* A number of suppliers of vaporizers and specialized consumption products and accessories operate their own e-commerce websites through which they sell their items directly to end consumers. Additionally, there are hundreds of websites that sell products similar to those we offer in North America, Europe, Australia and other parts of the world. We believe we compete effectively with other e-commerce websites. Further, we provide fulfillment services to the owners of some of these websites as they do not carry their own inventory, are not able to ship as efficiently as we do and are unable to meet certain regulatory requirements, such as sales tax collection. Our primary e-commerce website, Vapor.com, ranks above many of our competitors' websites in various search engine categories. We believe our market knowledge, large product selection, relationships with vaporizer brands, in-house search engine optimization teams, social media focus and distribution facilities will enable us to remain a market leader in e-commerce.

## **Trademarks**

We own a number of registered trademarks and service marks, including without limitation, trademarks in the relevant classes of goods for Greenlane, Higher Standards, Aerospaced, Groove, Pollen Gear, Eyce, and most recently DaVinci. We also license certain trademarks and other intellectual property, most notably those associated with our Marley Natural and Keith Haring brands. Solely for convenience, trademarks and trade names referred to in this Form 10-K/A may appear without the ® or TM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the rights of the applicable licensor to these trademarks and trade names. In addition, this Form 10-K/A contains trade names, trademarks and service marks of other companies that we do not own. We do not intend our use or display of other companies' trade names, trademarks or service marks to imply a relationship with, or endorsement or sponsorship of us by, these other companies. We believe our largest trademarks are widely recognized throughout the world and have considerable value. The duration of trademark registrations varies from country to country. However, trademarks are generally valid and may be renewed indefinitely as long as they are in use and/or their registrations are properly maintained.

## **Regulatory Developments**

Our operating results and prospects will be impacted, directly and indirectly, by regulatory developments at the local, state, and federal levels. Certain changes in local, state, national, and international laws and regulations, such as increased legalization of cannabis, create significant opportunities for our business. However, other changes to laws and regulations result in restrictions on which products we are permitted to sell and the manner in which we market our products, increased taxation of our products, and negative changes to the public perceptions of our products, among other effects.

We believe the continuing trend of states' legalization of medicinal and adult-use cannabis is likely to contribute to an increase in the demand for many of our products. In the 2020 election, voters approved ballot initiatives legalizing adult-use cannabis in New Jersey, Arizona, Montana, and South Dakota. Voters also approved initiatives legalizing medical marijuana in Mississippi and South Dakota. In 2021, Connecticut and Virginia passed measures legalizing adult-use cannabis. In 2022, Maryland and Missouri passed legislation legalizing adult-use cannabis. Other states appear likely to legalize either medical or adult-use cannabis in 2023 and beyond. However, we can provide no assurances that additional states will legalize cannabis.

Recently, the identification of many cases of e-cigarette or vaping product use associated lung injury (“EVALI”) has led to significant scrutiny of e-cigarette and other vaporization products. Additionally, certain academic studies and news reports have suggested that smoking or vaping may increase the risk of complications for individuals who contract COVID-19. EVALI, COVID-19, and other public health concerns could contribute to negative perceptions of vaping and smoking, which in turn could lead consumers to avoid certain of our products, which would materially and adversely affect our results of operations.

In response to health concerns and concerns about people under the age of eighteen using vaping products, several localities, states, and the federal government have enacted measures restricting the sale of certain types of vaping products. For example, on December 20, 2019, legislation was signed into law that raised the federal minimum age of sale for tobacco products from 18 to 21. Additionally, the federal government, as well as some state, provincial, and local governments have enacted or plan to enact laws and regulations that restrict the sale of certain types of vaping products. For example, several states and localities have implemented bans on certain flavored vaping products in an effort to reduce the appeal of such products to minors and some localities have banned the sale of nicotine vaping products entirely. Other states, including Arkansas, Maine, Utah, and Vermont have banned the sale of vaporizers direct to consumers through mail. Other laws banning certain vaping products or restricting the manner in which they may be sold have been adopted in Arkansas, Massachusetts, New York, New Jersey, Maryland, Rhode Island, Vermont, Utah and Maine among other jurisdictions. Taken together, these federal, state, and provincial restrictions on vaping products materially and adversely affect our revenues. The ultimate impact of these policy developments will depend upon, among other things, the types and quantities of products we sell that are encompassed by each ban, the success of legal challenges to the bans, our suppliers' actions to adapt to actual and potential regulatory changes, and our ability to provide alternative products.

In addition, 30 states and the District of Columbia have recently adopted laws imposing taxes on vaping products. Additionally, as of 2022, at least 31 states have adopted laws imposing taxes on vaporizers. These taxes will result in increased prices to end consumers, which may adversely impact the demand for our products. We expect these taxes would impact our competitors similarly, assuming their compliance with applicable laws.

The Consolidated Appropriations Act, 2021, which was signed into law on December 27, 2020, contains provisions that prohibit the mailing of electronic nicotine delivery systems (“ENDS”) through the United States Postal Service (“USPS”) and place certain regulatory requirements on shipment of ENDS through other carriers. Certain private carriers, including UPS and FedEx, also have policies restricting or prohibiting the shipment of many vaporization products we sell. On December 30, 2021, the USPS granted us an exception that permits Greenlane to continue shipping ENDS business to business via the USPS. This exception, combined with our use of alternative carriers, permits us to continue shipping almost all of our products to the vast majority of our customers, provided that we continue to meet all regulatory requirements. While we currently retain our ability to ship products to customers, additional legal or policy changes concerning the shipment of vaporizers could increase our costs materially and deprive us of our ability to timely deliver certain products to certain types of customers.

#### **Corporate Information**

Our executive offices are located at 1095 Broken Sound Parkway, Suite 100, Boca Raton, Florida 33487. Our telephone number at our executive offices is (877) 292-7660.

#### **Available Information**

The Company’s Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), are filed with the SEC. We are subject to the informational requirements of the Exchange Act and file or furnish reports, proxy statements and other information with the SEC. Such reports and other information filed by us with the SEC are available free of charge at [investor.gnln.com/financial-information/sec-filings](http://investor.gnln.com/financial-information/sec-filings) when such reports are available on the SEC’s website. The SEC maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC at [www.sec.gov](http://www.sec.gov). We periodically provide other information for investors on our corporate website, [www.gnln.com](http://www.gnln.com), and our investor relations website, [investor.gnln.com](http://investor.gnln.com). This includes press releases and other information about financial performance, information on corporate governance and details related to our annual meeting of shareholders. The information contained on the websites referenced in this Form 10-K/A is not incorporated by reference into this filing. Further, our references to website URLs are intended to be inactive textual references only.

#### **ITEM 1A. RISK FACTORS**

Our operations and financial results are subject to various risks and uncertainties, including but not limited to those described below, which could harm our business, reputation, financial condition, and operating results. The following is a description of what we consider the key challenges and material risks to our business and an investment in our Class A common stock.



## Risks Related to Our Business and Industry

*Global economic conditions, including inflation and supply chain disruptions, could materially and adversely our business, prospects, results of operations, financial condition, or cash flows.*

Our business and operations are sensitive to global economic conditions. General global economic downturns and macroeconomic trends, including heightened inflation, volatility in the capital markets, interest rate and currency rate fluctuations, the ongoing war in Ukraine, and economic slowdown or recession, may result in unfavorable conditions that could negatively affect demand for our products and exacerbate some of the other risks that affect our business, financial condition and results of operations. Both domestic and international markets experienced significant inflationary pressures in 2022 and inflation rates in the U.S. are currently expected to continue at elevated levels for the near-term. In addition, the Federal Reserve has raised, and is expected to continue to raise, interest rates in response to concerns about inflation, which, coupled with reduced government spending and volatility in financial markets, may have the effect of further increasing economic uncertainty and heightening these risks. Interest rate increases or other government actions taken to reduce inflation could also result in an economic recession.

A material decline in the economic conditions affecting consumers, which results in a reduction in disposable income for the average consumer, may change consumption patterns, and may result in a reduction in spending on vaporization products and consumption accessories or a switch to cheaper products or products obtained through illicit channels. Many of our products are relatively new to the market and may be regarded by consumers as a novelty item and expendable. As such, demand for our vaporizer products may be particularly sensitive to economic conditions such as inflation, recession, high energy costs, unemployment, changes in interest rates and money supply, changes in the political environment and other factors beyond our control, any combination of which could result in a material adverse effect on our business, results of operations and financial condition.

*Our ability to fund our capital requirements will depend on many factors, and if we are unsuccessful in increasing sales and generating positive cash flows we may have to further reduce our costs by curtailing future operations to continue as a business.*

Our ability to fund our capital requirements out of our available cash and cash generated from our operations in the future will depend on many factors, but largely on our ability to (i) increase sales of our products, (ii) raise capital on favorable terms, and (iii) generate positive cash flow and/or profits from our operations. If we are not successful in generating needed funds from operations or in equity or debt capital raising transactions, we may need to further reduce our costs, which measures could include selling or consolidating certain operations or assets, and delaying, canceling or scaling back product development and marketing programs.

In addition, our low cash balance and negative cash flow may cause an inability to pay our vendors on time, purchase all the inventory we need, and meet various other obligations going forward. Also, if we are not successful in generating funds from operations or from capital raising transactions, substantial doubt may be raised about our status as a going concern.

*If we are required to seek additional financing sources, they may not be available to us on attractive terms if at all and could restrict our ability to engage in certain business activities*

Due to limited access to the debt markets, we have been required to issue equity under our at-the-market offering program (“ATM Program”) at prices that are dilutive to stockholders. We may be forced to continue to seek equity capital at dilutive prices through our ATM Program or otherwise if other financing is not available to us to fund our working capital needs. In the past, because of the nature of our industry, we have had difficulties establishing relationships with certain financial institutions and may continue to face such difficulties. As a result, indebtedness or other forms of financing may not be available to us on attractive terms or at all. Furthermore, we may have to seek financing from non-traditional sources such as private equity and hedge funds, which may require us to give up significant governance or other rights or agree to economic and other terms that are not favorable.

In addition, future financing agreements we may enter into in the future may contain customary negative covenants and other financial and operating covenants that, among other things:

- restrict our ability to incur additional indebtedness;
- restrict our ability to incur additional liens;
- restrict our ability to make certain investments (including capital expenditures);
- restrict our ability to merge with another company;
- restrict our ability to sell or dispose of assets;
- restrict our ability to make distributions to stockholders; and
- require us to satisfy minimum financial coverage ratios, minimum net worth requirements, maximum leverage ratios, or other financial covenants.

Due to the restrictions imposed on us by General Instruction I.B.6 of Form S-3 and our low market capitalization and total public float, we are not able to use our universal shelf registration statement on Form S-3 for a period of time, which limits our liquidity options. We estimate that we had cash available as of December 31, 2022 of \$6.5 million. In addition, our revenue for the year ended December 31, 2022 was down from prior years and has declined in recent quarters. If we are unable to access additional liquidity through successful execution of our cost cutting strategic initiatives and revenue goals, we may have significant cash constraints, which would have a material adverse impact on our business, results of operations and ability to pay our debts as they come due.

***Our goodwill and other assets have been subject to impairment and may continue to be subject to impairment in the future.***

As discussed elsewhere in this Annual Report on Form 10-K/A, we incurred an impairment charges of approximately \$129.4 million during the year ended December 31, 2022 related to the write-down of goodwill, indefinite-lived intangible assets and property, and equipment. We cannot predict the amount and timing of any future impairments, if any.

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

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

For example, on February 25, 2022, we received a deficiency letter from the Listing Qualifications Department of the Nasdaq (the "Nasdaq Staff"), notifying us that, for the last 30 consecutive business days, the closing bid price for our Class A common stock had closed below the minimum \$1.00 per share required for continued listing on the Nasdaq pursuant to Nasdaq Listing Rule 5550(a)(2) ("Rule 5550(a)(2)").

On August 4, 2022, we filed a Certificate of Amendment to our charter with the Secretary of State of the State of Delaware, which effected a one-for-20 reverse stock split (the "Reverse Stock Split") of our issued and outstanding shares of Class A common stock and Class B common stock at 5:01 PM Eastern Time on August 9, 2022. As a result of the 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 Reverse Stock Split. On August 24, 2022, we were notified by the Nasdaq Staff that we had regained compliance with Rule 5550(a)(2) and that the matter had been closed.

On December 13, 2022, we received a new deficiency letter from the Nasdaq Staff notifying us that we were out of compliance with Rule 5550(a)(2) for a second time.

There are many factors that may adversely affect our minimum bid price. Many of these factors are outside of our control. As a result, we may not be able to sustain compliance with Rule 5550(a)(2) in the long term. Any potential delisting of our Class A common stock from the Nasdaq would likely result in decreased liquidity and increased volatility for our Class A common stock and would adversely affect our ability to raise additional capital or to enter into strategic transactions, in addition to adversely impacting the perception of our financial condition and could cause reputational harm to investors and parties conducting business with us. Any potential delisting of our Class A common stock from the Nasdaq would also make it more difficult for our stockholders to sell our Class A common stock.

If we do not regain compliance with Rule 5550(a)(2) by June 12, 2023, we may be afforded a second 180 calendar day period to regain compliance. To qualify, we would be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market, except for the minimum bid price requirement. In addition, we would be required to notify Nasdaq of our intent to cure the deficiency during the second compliance period.

In the event of a de-listing, we would take actions to restore our compliance with Nasdaq Marketplace Rules, but we can provide no assurances that the listing of our Class A common stock would be restored, that our Class A common stock will remain above the Nasdaq minimum bid price requirement or that we otherwise will remain in compliance with the Nasdaq Marketplace Rules.

***Our narrow margins may magnify the impact of variations in operating costs and of adverse or unforeseen events on operating results.***

We are subject to intense price competition. As a result of this and other factors, our gross and operating margins have historically been narrow. Narrow margins magnify the impact of variations in operating costs and of gross margin and of unforeseen adverse events on operating results. Continued increases in costs, such as the cost of merchandise, wage levels, shipping rates, import duties and fuel costs, may negatively impact our margins and profitability. We are not always able to raise the sales price to offset cost increases or to effect increased operating efficiencies in response to increasing costs. If we are unable to maintain our margins in the future, it could have a material adverse effect on our business, results of operations and financial condition. If we become subject to increased price competition in the future, we cannot assure you that we will not lose market share, that we will not be forced to reduce our prices and further reduce our margins, or that we will be able to compete effectively.

Additionally, promotional activities can significantly increase net sales in the periods in which they are initiated and net sales can be adversely impacted in the periods after a promotion. Accordingly, based upon the timing of our marketing and promotional initiatives, we have and may continue to experience significant variability in our month-to-month results, which could affect our ability to formulate strategies that allow us to maintain our market presence across volatile months. If our monthly sales fluctuations obscure our ability to track important trends in our key markets, it may have a material adverse effect on our business, results of operations and financial condition.

***If we fail to manage our business and growth effectively, we may be unable to execute our business plan, maintain high levels of service or address competitive challenges adequately.***

Our success will depend, in part, on our ability to manage our business and its growth, both domestically and internationally. Any growth in, expansion of, or shift in the focus of our business, is likely to continue to place a strain on our management and administrative resources, infrastructure and systems. As with other businesses, we expect that we will need to further refine and expand our business development capabilities, our systems and processes and our access to financing sources. We will also need to hire, train, supervise, and manage new employees. These processes are time consuming and expensive and will increase management responsibilities and divert management attention. We cannot assure that we will be able to:

- optimize our product offerings effectively or efficiently or in a timely manner, if at all;
- achieve expected synergies or other anticipated benefits;
- allocate our human resources optimally;
- meet our capital needs;
- identify and hire qualified employees or retain valued employees;
- effectively incorporate the components of any business or product line that we may acquire in our effort to achieve growth; or
- continue to grow our business.

Our inability or failure to manage our business and its growth effectively could harm our business and materially adversely affect our operating results and financial condition. In addition, we believe that an important contributor to our success has been and will continue to be our corporate culture, which we believe fosters innovation, teamwork and a passion for our products and customers. As a result of our rapid growth, we may find it difficult to build and maintain our strong corporate culture, which could limit our ability to innovate and operate effectively. Any failure to preserve our culture could also negatively affect our ability to retain current and recruit new personnel, continue to perform at current levels or execute on our business strategy.

***Management and employee turnover creates uncertainties and could harm our business.***

We have experienced significant turnover in our executive leadership in recent years. Changes to strategic or operating goals, which oftentimes occur with the appointment of new executives and board members, can create uncertainty, may negatively impact our ability to execute quickly and effectively, and may ultimately be unsuccessful. In addition, executive leadership transition periods are often difficult as the new executives gain detailed knowledge of our operations, and friction can result from changes in strategy and management style. Management turnover inherently causes some loss of institutional knowledge, which can negatively affect strategy and execution. Until we integrate new personnel, and unless they are able to succeed in their positions, we may be unable to successfully manage and grow our business, and our financial condition and profitability may suffer.

Further, to the extent we experience additional management turnover, competition for top management is high and it may take months to find a candidate that meets our requirements. If we are unable to attract and retain qualified management personnel, our business could suffer. Our future success will also depend on our ability to identify, recruit and retain additional qualified technical and managerial personnel. We operate in several geographic locations where labor markets are particularly competitive, where demand for personnel with these skills is extremely high and is likely to remain high. As a result, competition for qualified personnel is intense, particularly in the areas of general management, finance, engineering and science, and the process of hiring suitably qualified personnel is often lengthy and expensive and may become more expensive in the future. If we are unable to hire and retain a sufficient number of qualified employees, our ability to conduct and expand our business could be seriously reduced.

***The market for vaporizer products and related items is a niche market, subject to a great deal of uncertainty and is still evolving.***

Vaporizer products comprise a significant portion of our product portfolio. Many of these products have only recently been introduced to the market and are at an early stage of development. These products represent core components of a niche market that is evolving rapidly, is characterized by a number of market participants and is subject to regulatory oversight and a potentially fluctuating regulatory framework. Rapid growth in the use of, and interest in, vaporizer products is recent, and may not continue on a lasting basis. The demand and market acceptance for these products is subject to a high level of uncertainty, including, but not limited to, changes in governmental regulation, developments in product technology, perceived safety and efficacy of our products, perceived advantages of competing products and sale and use of materials that can be vaporized, including in the expanding legal state cannabis markets. For example, concerns about EVALI and youth use of vaporizers have, by some metrics, negatively impacted demand for vaporizers and led to laws and regulations restricting the sale of certain products in different markets. Therefore, we are subject to many of the business risks associated with a new enterprise in a niche market. Continued technical evolution, market uncertainty, evolving regulation and the resulting risk of failure of our new and existing product offerings in this market could have a material adverse effect on our ability to build and maintain market share and on our business, results of operations and financial condition. Further, there can be no assurance that we will be able to continue to compete effectively in this marketplace.

***We depend on third-party suppliers for our products and may experience supply shortages which could have a material adverse effect on our business.***

We depend on third-party suppliers for our vaporization products and consumption accessories product offerings. Our customers associate certain characteristics of our products, including the weight, feel, draw, flavor, packaging and other unique attributes, to the brands we market, distribute and sell. In the future, we may have difficulty obtaining the products we need from our suppliers as a result of unexpected demand or production difficulties that might extend lead times, as well as due to constraints relating to our low cash position. Also, products may not be available to us in quantities sufficient to meet our customer demand. Any interruption in supply and/or consistency of these products may adversely impact our ability to deliver products to our customers, may harm our relationships and reputation with our customers, and may have a material adverse effect on our business, results of operations and financial condition. Interruptions in supply or consistency of products could arise for a number of reasons, including but not limited to economic and civil unrest, public health crises, embargoes, and sanctions.

***We may enter into new markets or lines of business that offer new products and services, or may expand existing lines of business, which may subject us to additional risks.***

From time to time, we may enter into new markets or lines of business that entail offering new products and services, or may expand existing lines of business. For example, our merger with KushCo significantly expanded our exposure to the leading MSOs and LPs, as well as a presence on the west coast. Our historical experience in these markets does not ensure that we will be able to successfully operate expanded lines of business or will be successful in launching new products or entering new markets. In addition, external factors, such as competitive alternatives, potential conflicts of interest, either real or perceived, and shifting market preferences, in addition to our lack of experience with or knowledge of new lines of business or markets may impact our implementation, expansion and operation of new and existing lines of business. Other related risks include:

- the potential diversion of management's attention, available cash, and other resources from our existing businesses;
- unanticipated liabilities or contingencies;
- compliance with additional regulatory burdens;
- potential damage to existing customer relationships, lack of customer acceptance or an inability to attract new customers; and
- the inability to compete effectively in the new line or expanded line of business or in a new market.

Failure to successfully manage these risks in the implementation, expansion or operation of new and existing lines of business and markets or the offering of new products or services could have a material adverse effect on our reputation, business, results of operations and financial condition.

***A significant percentage of our revenue is dependent on sales of products from a relatively small number of key suppliers, and a decline in sales of products from these suppliers could materially harm our business.***

A significant percentage of our revenue is dependent on sales of products, primarily vaporizers and related components, that we purchase from a small number of key suppliers, including CCELL, Storz & Bickel, Greenco Science and Davinci. For example, products manufactured by CCELL represented approximately 39.1% and 15.2% of our net sales in the

years ended December 31, 2022 and 2021, respectively, and products manufactured by Storz & Bickel represented approximately 5.5% and 9.6% of our net sales in the years ended December 31, 2022 and 2021, respectively. Products manufactured by Greenco Science represented approximately 4.6% and 9.0% of our net sales in the years ended December 31, 2022 and 2021, respectively, and products manufactured by Davinci represented approximately 4.0% and 1.5% of our net sales in the years ended December 31, 2022 and 2021, respectively. A decline in sales of any of our key suppliers' products, whether due to decreases in supply of, or demand for, their products, termination of our agreements with them, regulatory actions or otherwise, could have a material adverse impact on our sales and earnings and adversely affect our business.

***There is uncertainty related to the regulation of vaporization products and certain other consumption accessories. Increased regulatory compliance burdens, no matter how they arise, could have a material adverse impact on our business development efforts and our operations.***

#### *United States*

There is uncertainty regarding whether, in what circumstances, how and when the FDA will seek to enforce the tobacco-related provisions of the Federal Food, Drug, and Cosmetic Act ("FFDCA") relative to vaporizer hardware and accessories that can be used to vaporize cannabis and other material, including electronic cigarettes, rolling papers and glassware, in light of the potential for dual use with tobacco.

Through amendments to the FFDCA, the Tobacco Control Act established, by statute, that the FDA has oversight over specific types of tobacco products (cigarettes, cigarette tobacco, roll-your-own ("RYO") tobacco, and smokeless tobacco) and granted the FDA the authority to "deem" other types of tobacco products as subject to the statutory requirements. In addition to establishing authority, defining key terminology, and setting adulteration and misbranding standards, the Tobacco Control Act established FDA's authority over tobacco products in a number of areas such as: submission of health information to the FDA; registration with the FDA; premarket authorization requirements; good manufacturing practice requirements; tobacco product standards; notification, recall, corrections, and removals; records and reports; marketing considerations and restrictions; post-market surveillance and studies; labeling and warnings; and recordkeeping and tracking. Although the vast majority of our vaporizer products are not subject to these regulations because they are not intended for use with tobacco or nicotine, changes in law, regulation, or policy that subject a greater portion of our products to these regulations could occur.

In a final rule effective August 8, 2016 ("Deeming Rule"), the FDA deemed all products that meet the Tobacco Control Act's definition of "tobacco product," including components and parts but excluding accessories, to be subject to the tobacco control requirements of the FFDCA and the FDA's implementing regulations. Accordingly, as of the Deeming Rule's effective date, deemed tobacco products that are "new" (i.e., those that were not commercially marketed in the United States as of February 15, 2007) are subject to the premarket authorization requirements. Deemed new tobacco products that remain on the market without authorization are marketed unlawfully.

Deemed new tobacco products include, among other things: products such as electronic cigarettes, electronic cigars, electronic hookahs, vape pens, certain vaporizers and e-liquids and their components or parts (such as tanks, coils and batteries) ("ENDS"). The FDA's interpretation of components and parts of a tobacco product includes any assembly of materials intended or reasonably expected to be used with or for the human consumption of a tobacco product. In a 2017 decision of the D.C. Circuit court, the court upheld the FDA's authority to regulate ENDS even though they do not actually contain tobacco, and even if the products could be used with nicotine-free e-liquids.

The Tobacco Control Act and FDA's implementation of regulations require regulatory approvals before certain products may be sold and restrict the way tobacco product manufacturers, retailers, and distributors can advertise and promote tobacco products, including a prohibition against free samples or the use of vending machines, requirements for presentation of warning information, and age verification of purchasers.

Newly-deemed tobacco products are also subject to the other requirements of the Tobacco Control Act, such as that they not be adulterated or misbranded. The FDA has been directed under the Tobacco Control Act to establish specific good manufacturing practice ("GMP") regulations for tobacco products, and could do so in the future, which could have a material adverse impact on the ability of some of our suppliers to manufacture, and the cost to manufacture, certain of our products. Even in the absence of specific GMP regulations, a facility's failure to maintain sanitary conditions or to prevent contamination of products could result in the FDA deeming the products produced there adulterated.

The FDA has announced its intention to take enforcement measures related to ENDS products offered for sale after September 9, 2020, for which the manufacturers had not submitted a PMTA. Following that date, the FDA did in fact take actions against certain manufacturers of ENDS products for which a PMTA had not been submitted. Accordingly, and in light of the laws noted above, premarket authorizations will be necessary for us to continue our distribution of any vaporizer hardware and accessories that meet the FDA's definition of ENDS. While we do not believe vaporizers intended for use with non-tobacco substances meet the FDA's definition of ENDS, it is possible that the FDA could require premarket authorization for such products.

Our suppliers who make vaporizers that are currently, or in the future become, subject to FDA regulation must timely file applications for the appropriate authorizations so that we may continue selling their products in the United States. We have no control over the content of those applications, and we have no assurances that the outcome of the FDA's review will result in authorization of the marketing of these products. If the FDA establishes or applies review standards or processes that our suppliers are unable or unwilling to comply with, our business, results of operations, financial condition and prospects would be adversely affected.

The anticipated costs to our suppliers of complying with future FDA regulations will be dependent on the rules issued by the FDA, the timing and clarity of any new rules or guidance documents accompanying these rules, the reliability and simplicity (or complexity) of the electronic systems utilized by the FDA for information and reports to be submitted, and the details required by the FDA for such information and reports with respect to each regulated product. Any failure to comply with existing or new FDA regulatory requirements could result in significant financial penalties to us or our suppliers, which could ultimately have a material adverse effect on our business, results of operations, financial condition and ability to market and sell our products. Compliance and related costs could be substantial and could significantly increase the costs of operating in the vaporization products and certain other consumption accessories markets.

In addition, failure to comply with the Tobacco Control Act and with FDA regulatory requirements could result in litigation, criminal convictions or significant financial penalties and could impair our ability to market and sell some of our vaporizer products. At present, we are not able to predict whether the Tobacco Control Act will impact our business to a greater degree than competitors in the industry, thus affecting our competitive position.

As discussed elsewhere in these Risk Factors and under the heading Regulatory Developments, a number of states and cities have implemented bans or restrictions on the sale of vaporizers and accessories, as well as flavored tobacco products, including vaping liquids and menthol cigarettes. There may, in the future, also be increased regulation of additives in smokeless products and internet sales of vaporization products and certain other consumption accessories. The application of either or both of current federal, state, and local, laws, and of any new laws or regulations which may be adopted in the future at the federal, state, or local level, to vaporization products, consumption accessories or such additives could result in additional expenses and require us to change our advertising and labeling, and methods of marketing and distribution of our products, any of which could have a material adverse effect on our business, results of operations and financial condition.

#### *Canada*

On May 23, 2018, the Tobacco and Vaping Products Act ("TVPA") became effective, and now governs the manufacture, sale, labeling and promotion of vaping products sold in Canada. The TVPA replaced the former Tobacco Act (Canada) and established a legislative framework that applies to vaping products, whether or not they contain nicotine. The TVPA prescribes high-level requirements in relation to vaping products, with regulations governing specific topics such as nicotine concentration and the promotion of vaping products. Other regulations remain forthcoming and there remains a high degree of uncertainty with respect to the compliance landscape for vaping products. As such, there can be no assurance that we will initially be in total compliance, remain competitive, or financially able to meet future requirements administered pursuant to the TVPA. Prior to the TVPA becoming effective, Health Canada had taken the position that electronic smoking products (i.e., electronic products for the vaporization and administration of inhaled doses of nicotine, including electronic cigarettes, cigars, cigarillos and pipes, as well as cartridges of nicotine solutions and related products) fell within the scope of the Food and Drugs Act (Canada) ("Food and Drugs Act"). Vaping products with therapeutic or health-related claims are subject to the Food and Drugs Act and related regulations. Finally, the TVPA provides the authority to make regulations to collect information from industry about vaping products, their emissions and any research and development (e.g., sales data and information on market research, product composition, ingredients, materials, health effects, hazardous properties and brand elements). Health Canada is currently developing proposed regulations in this area.

On December 21, 2019, Health Canada issued a Regulatory Impact Analysis Statement titled "Vaping Products Promotion Regulations." The Impact Analysis addressed two proposed new regulations that would place stricter limits on the advertising and promotion of nicotine vaping products and make health warnings on nicotine vaping products mandatory (the "Proposed Regulations"). The Proposed Regulations would: (1) prohibit the promotion of nicotine vaping products and nicotine vaping product-related brand elements by means of advertising that is done in a manner that can be seen or heard by youth, including the display of nicotine vaping products at points of sale where can be seen by youth; and (2) require that all nicotine vaping advertising convey a health warning about the health hazards of nicotine vaping product use.

On July 1, 2020, Health Canada's "Vaping Products Labeling and Packaging Regulations" (the "VPLPR") came into effect; requiring (1) all vaping products containing nicotine to display a standardized nicotine concentration statement and health warning about the addictiveness of nicotine; (2) products containing nicotine to be packaged in child-resistant containers and display a toxicity warning and first aid treatment statement; and (3) the display of a list of ingredients contained in the vaping substances, regardless of nicotine content. On July 14, 2020, Health Canada issued a guidance document on vaping products titled, "Industry Guide to vaping products subject to the Canada Consumer Product Safety Act" (the "CCPA Guidance"). The CCPA Guidance provided clarity on requirements under the Canada Consumer Product Safety Act

“CCPSA”) for vaping products that are manufactured, imported, advertised, or sold in Canada. The CCPA Guidance provided clarity on the requirements of the VPLPR and the authority of the CCPSA to address safety issues posed by a vaping product not marketed for therapeutic use or by a cannabis accessory (such as a vaporizer represented to be used in the consumption of cannabis) not marketed for a therapeutic use.

In addition to federal regulations, several provinces, including Alberta, British Columbia, Nova Scotia, Ontario, Prince Edward Island (“PEI”), Quebec, and Saskatchewan, have passed regulations fully restricting or limiting the advertising and sales of certain types of nicotine vaping products. Many provinces have focused their tobacco and vaping control efforts on retail access and have taken action to go beyond the minimum requirements in the TVPA. For example, Nova Scotia, Newfoundland and Labrador, and the Northwest Territories, have increased the minimum age of sale to 19. Notably, in Prince Edward Island, as of March 1, 2020, the minimum age for purchasing nicotine products increased to age 21. In 2019, British Columbia, Saskatchewan, and Ontario limited the sales of flavored vaping products with exceptions for some flavors to specialty stores, whereas some provinces have banned flavored vaping products, with the exception of tobacco flavor (Nova Scotia and Prince Edward Island). By way of example, on August 11, 2020, PEI adopted a regulation to ban the sale of all flavored vaping products, effective March 1, 2021. Quebec is currently considering a ban on flavored products and effective as of March 25, 2022, the sale of flavored vapor products was banned in the Northwest Territories.

Moreover, certain provinces (British Columbia, Newfoundland and Labrador, Saskatchewan, Quebec, Nova Scotia) have implemented an e-cigarette retail licensing system or have guidelines for retailers in order to prevent sales to minors (Alberta, British Columbia, Newfoundland and Labrador, Prince Edward Island, Saskatchewan).

Finally, with respect to the taxation of vaping products, the Canadian government introduced amendments to the Excise Act, 2001 to implement a new excise duty framework on vaping products. These amendments became law on June 23, 2022. The new framework applies to vaping products that are manufactured in Canada or imported, and that are intended for use in a vaping device in Canada. Manufacturers of vaping products are required to get a vaping product license from the Canada Revenue Agency (“CRA”). Importers are required to apply for registration from the CRA. Manufacturers and importers are also required to register for the vaping stamping regime. All vaping products entering the Canadian duty-paid market are required to be packaged with an excise stamp affixed to the product. The excise stamps shows that duties have been paid.

These developments, together with the passed and proposed federal and provincial regulations may have a material adverse effect on our business, results of operations, and financial condition.

#### *Europe*

Throughout Europe, several countries’ laws implementing the European Union Tobacco Products Directive (“TPD”) impose strict regulations on the approval, sale, and advertising of e-cigarettes. While we do not sell or market any material amount of products that we believe fall within the definition of e-cigarettes in Europe, if vaporization products we sell are found to fall within the scope of laws implementing the TPD, we would be unable to continue selling those products in certain countries, which may have a material adverse effect on our business, results of operations, and financial condition.

#### ***We may be unable to identify or contract with new suppliers in the event of a disruption to our supply.***

In the event of a disruption to our supply of products, we would have to identify new suppliers that can meet our needs. Only a limited number of suppliers may have the ability to produce certain products we sell at the volumes we need, and it could be costly or time-consuming to locate and approve such alternative sources. Moreover, it may be difficult or costly to find suppliers to produce small volumes of products in the event we are looking only to supplement our current supply as suppliers may impose minimum order requirements. In addition, we may be unable to negotiate pricing or other terms with our existing or new suppliers as favorable as those we currently enjoy. We cannot guarantee that a failure to adequately replace or supplement our existing suppliers would not have a material adverse effect on our business, results of operations and financial condition.

#### ***Demand for the products we distribute could decrease if the trend of our suppliers selling products directly to consumers or retailers continues or accelerates.***

Retailers and consumers of vaporization products and consumption accessories have historically purchased certain amounts of these products directly from suppliers. Recently, direct to consumer sales of vaporization products and consumption accessories have accelerated, consistent with broader sales trends. If our customers were to increase their purchases of products directly from suppliers, or if suppliers further increase their efforts to sell such products directly to consumers or retailers, we could experience a significant decrease in our business, results of operations and financial condition. These, or other developments that remove us from, or limit our role in, the distribution chain, may harm our competitive position in the marketplace and reduce our sales and earnings and adversely affect our business.

#### ***We are vulnerable to third-party transportation risks, including governmental laws and common carriers' policies that prevent the shipment of the types of products we sell.***

We depend on fast and efficient shipping services to distribute our products. Any prolonged disruption of these services may have a material adverse effect on our business, financial condition and results of operations. Rising costs associated with transportation services used by us to receive or deliver our products, including tariffs, as well as delays as a result of factors outside of our control have had and may continue to have a material adverse effect on our business, financial condition and results of operations.

The Consolidated Appropriations Act, 2021, which was signed into law on December 27, 2020, contains provisions that prohibit the mailing of ENDS through the United States Postal Service (“USPS”) and place certain regulatory requirements on shipment of ENDS through other carriers. Certain private carriers, including UPS and FedEx, also have policies restricting or prohibiting the shipment of certain vaporization products we sell, requiring us to occasionally rely upon smaller carriers that are more expensive and serve fewer geographic areas. Although we received USPS approval in December 2021 for a business and regulatory exception to the PACT Act (the “PACT Act Exception”) permitting us to ship ENDS to other PACT Act compliant businesses, there can be no assurances that we will be able to maintain the PACT Act Exception or that the USPS will not elect to rescind the PACT Act Exception. Additional legal or policy changes concerning the shipment of vaporizers could increase our costs materially and deprive us of our ability to timely deliver certain products to certain types of customers. Additionally, rising costs associated with transportation services used by us to receive or deliver our products (including tariffs) and prohibitions on the use of certain shipping services for specified products, may have a material adverse effect on our business, financial condition and results of operations.

*We do not have long-term agreements or guaranteed price or delivery arrangements with most of our suppliers. The loss of a significant supplier would require us to rely more heavily on our other existing suppliers or to develop relationships with new suppliers. Such a loss may have an adverse effect on our product offerings and our business.*

While we have long-term distribution agreements with certain of our suppliers, consistent with industry practice, we do not have guaranteed price or delivery arrangements with most of our suppliers. We generally make our purchases through purchase orders. As a result, we have experienced and may in the future experience inventory shortages or price increases on certain products. Furthermore, our industry occasionally experiences significant product supply shortages, and we sometimes experience customer order backlogs due to the inability of certain suppliers to make available to us certain products as needed. We cannot provide assurances that suppliers will maintain an adequate inventory of products to fulfill our orders on a timely basis, or at all, or that we will be able to obtain particular products on favorable terms, or at all. Additionally, we cannot provide assurances that product lines currently offered by suppliers will continue to be available to us. A decline in the supply or continued availability of the products of our suppliers, or a significant increase in the price of those products, could reduce our sales and negatively affect our operating results.

In addition, some of our suppliers have the ability to terminate their relationships with us at any time, or to decide to sell, or increase their sales of, their products through other resellers or channels. Although we believe there are numerous suppliers with the capacity to supply the products we distribute, the loss of one or more of our major suppliers could have an adverse effect on our product offerings and our business. Such a loss would require us to rely more heavily on our other existing suppliers, develop relationships with new suppliers or undertake our own manufacturing, which may cause us to pay higher prices for products due to, among other things, a loss of volume discount benefits currently obtained from our major suppliers. Any termination, interruption or adverse modification of our relationship with a key supplier or a significant number of other suppliers would likely adversely affect our operating income, cash flow and future prospects.

*If we fail to maintain proper inventory levels, our business could be harmed.*

We often purchase key products from suppliers prior to the time we receive purchase orders from customers. We do this to minimize purchasing costs, the time necessary to fill customer orders, and the risk of non-delivery. However, we may be unable to sell the products we have purchased in advance. Inventory levels in excess of customer demand have previously and may in the future, result in inventory write-downs, and the sale of excess inventory at discounted prices could significantly impair our brand image and have a material adverse effect on our business, results of operations and financial condition. Conversely, if we underestimate demand for our products or if we fail to acquire the products that we require at the time we need them, we may experience inventory shortages. Inventory shortages might delay shipments to customers, reduce revenue, negatively impact customer relationships and diminish brand loyalty, which in turn could have a material adverse effect on our business, results of operations and financial condition.

*Certain of our suppliers provide us with incentives and other assistance that reduce our operating costs, and any decline in these incentives and other assistance could materially harm our operating results.*

Certain of our suppliers, including CCELL and Storz & Bickel, provide us with trade credit or substantial incentives in the form of discounts, credits and cooperative advertising, among other benefits. We have agreements with some of our suppliers under which they provide us, or they have otherwise consistently provided us, with market price discounts to subsidize portions of our advertising, marketing and distribution costs based upon the amount of coverage we give to their respective products in our catalogs or other advertising and marketing mediums. Any termination or interruption of our



relationships with one or more of these suppliers, or modification of the terms or discontinuance of our agreements or arrangements with these suppliers, could adversely affect our operating income and cash flow. For example, the incentives we receive from a particular supplier may be impacted by a number of events outside of our control, including acquisitions, divestitures, management changes or economic pressures affecting such supplier, any of which could materially affect or eliminate the incentives we receive from such supplier.

***Our success is dependent in part upon our ability to distribute popular products from new suppliers, as well as the ability of our existing suppliers to develop and market products that meet changes in market demand or regulatory requirements.***

Many of the products we sell are generally subject to rapid changes in marketplace demand and regulatory requirements. For example, recent laws and regulations have prohibited the sale of certain types of ENDS products that we previously sold. Our success is dependent, in part, upon the ability of our suppliers to develop and market products that meet these changes. Our success is also dependent on our ability to develop relationships with and sell products from new suppliers that address these changes in market demand or regulatory requirements. To the extent products that address recent changes are not available to us, or are not available to us in sufficient quantities or on acceptable terms, we could encounter increased competition, which would likely adversely affect our business, results of operations and financial condition.

***We may not be able to maintain existing supplier relationships or continue receiving favorable terms from our suppliers, which may affect our ability to offer a broad selection of products at competitive prices and negatively impact our results of operations.***

We purchase products for resale both directly from manufacturers and, on occasion, from other sources, all of whom we consider our suppliers. We also maintain certain exclusive or preferred relationships with several of our suppliers, which provide us with various benefits such as exclusive rights to distribute their products in certain geographic areas or sales channels, preferred pricing, training, support, preferred access and/or other significant benefits. In some cases, suppliers require us to meet certain minimum standards in order to retain these benefits, and in some instances, we have failed to achieve those minimum standards. If we do not maintain our existing relationships or terms, or if we fail to build new relationships with suppliers on acceptable terms, including our exclusive distribution rights, favorable pricing, manufacturer incentives or reseller qualifications, we may not be able to offer a broad selection of products or continue to offer products from these suppliers at competitive prices, or at all. From time to time, suppliers may be acquired by other companies, terminate our right to sell some or all of their products, modify or terminate our exclusive distributor or preferred distributor status, change the applicable terms and conditions of sale or reduce or discontinue the incentives or supplier consideration that they offer us. Any termination or reduction of such terms by our major suppliers, or our failure to build new supplier relationships, could have a negative impact on our operating results. Further, some products may be subject to allocation by the supplier, which could limit the number of units of those products that are available to us and may adversely affect our operating results.

***We do not have long-term contracts with many of our customers. The agreements that we do have generally do not commit our customers to any minimum purchase volume. The loss of a significant customer may have a material adverse effect on us.***

Our customers generally place orders on an as-needed basis. Consistent with industry practice, we do not have long-term contracts with most of our customers, other than certain retail chains or distributors in Canada and abroad and certain state-licensed cannabis businesses in the United States. In addition, our agreements generally do not commit our customers to any minimum purchase volume. Accordingly, we are exposed to risks from potential adverse financial conditions in the vaporization products and consumption accessories industry, a potentially shifting legal landscape, the general economy, a competitive landscape, a changing technological landscape or changing customer needs or any other change that may affect the demand for our products. We cannot assure you that our customers will continue to place orders with us in similar volumes, on the same terms, or at all. Our customers may terminate their relationships with us or reduce their purchasing volume at any time. Our ten largest customers, in the aggregate, represented approximately 40.7% and 21.8% of our net sales for the years ended December 31, 2022 and 2021, respectively. The loss of a significant number of customers, or a substantial decrease in a significant customer's orders, may have an adverse effect on our revenue.

***Changes in our customer, product or competition mix could cause our product margin and results of operations to fluctuate.***

From time to time, we may experience changes in our customer mix, our product mix or our competition mix. Changes in our customer mix may result from geographic expansion or contractions, mergers and acquisitions among our customer base, legislative, regulatory or enforcement priority changes affecting the products we distribute, selling activities within current geographic markets and targeted selling activities to new customer sectors. For example, our recent merger has shifted our customer mix to include a greater concentration of customers who engage in the cultivation, processing, and/or sale of cannabis. Changes in our product mix may result from marketing activities to existing customers, the needs of existing and prospective customers and from regulatory and legislative changes. Changes in our competition mix may result from well-financed competitors entering into our business segment or existing competitors growing their operations. If customer demand for lower-

margin products increases and demand for higher-margin products decreases, our business, results of operations and financial condition may suffer.

***Because a material portion of our revenues are derived from sales to consumers indirectly through third-party retailers who operate traditional brick-and-mortar locations, the shift of sales to more online retail business could harm our market share and our revenues in certain sectors.***

Our current model for consumer goods includes selling our products through third-party retailers. These third-party retailers operate physical brick-and-mortar locations to sell our product to consumers. The current shift in purchasing demographics due to many factors and the changing preferences of consumers who are moving from in-store purchases to online purchases creates the additional risks of our current revenue streams being impacted negatively and an overall decrease of market share.

***We have experienced and may continue to experience difficulty collecting receivables.***

If our customers begin or continue to experience financial challenges, they may not have sufficient funds to pay all amounts owed to us. Additionally, laws in some jurisdictions in which we operate make collection of receivables difficult, time consuming or expensive. We generally do not require collateral in support of our trade receivables. While we maintain reserves for expected credit losses, we cannot assure these reserves will be sufficient to meet write-offs of uncollectible receivables or that our losses from such receivables will be consistent with our historical performance. Significant write-offs may affect our business, results of operations and financial condition. As we begin selling our products indirectly through large retailers, customer credit risks will expand.

***Our ability to distribute certain licensed brands and to use or license certain trademarks may be terminated or not renewed.***

We are reliant upon brand recognition in the markets in which we compete, as the industry is characterized by a high degree of brand loyalty and a reluctance of consumers to switch to substitute or unrecognizable brands. Some of the brands we distribute and the trademarks under which products are sold are licensed for a fixed period of time with regard to specified markets.

In the event that the licenses to use the brand names and trademarks for the products we distribute are terminated or are not renewed after the end of the term, there is no guarantee we or our suppliers will be able to find suitable replacement brands or trademarks, or that if a replacement is found, that it will be on favorable terms. Any loss in brand-name appeal to our existing customers as a result of the lapse or termination of our licenses or the licenses of our suppliers could have a material adverse effect on our business, results of operations and financial condition.

***We may not be successful in maintaining the consumer brand recognition and loyalty of our products.***

We compete in a market that relies on innovation and the ability to react to evolving consumer preferences. The vaporization products and consumption accessories industry is subject to changing consumer trends, demands and preferences. Therefore, products once favored may, over time, become disfavored by consumers or no longer perceived as the best option. Consumers in the vaporizer market have demonstrated a degree of brand loyalty, but suppliers must continue to adapt their products in order to maintain their status among customers as the market evolves. Our continued success depends in part on our ability and our supplier's ability to continue to differentiate the brand names we represent, own or license and maintain similarly high levels of recognition with target consumers. Trends within the vaporization products and consumption accessories industry change often and our failure to anticipate, identify or react to changes in these trends could, among other things, lead to reduced demand for our products. Factors that have previously and may continue to affect consumer perception of our products include health trends and attention to health concerns associated with herbs, oils, cannabis or other materials used with vaporizers, price-sensitivity in the presence of competitors' products or substitute products and trends in favor of new vaporization products or technology consumption accessories products that are currently being researched and produced by participants in our industry. For example, in recent years, we have witnessed a shift in consumer purchases from vaporizers designed for dry herbs to those designed for liquids or wax type concentrates. A failure to react to similar trends in the future could enable our competitors to grow or establish their brands' market share in these categories before we have a chance to respond.

Regulations have recently been and are likely to continue to be enacted in the future that would make it more difficult to appeal to consumers or to leverage the brands that we distribute, own or license. Furthermore, even if we are able to continue to distinguish our products, there can be no assurance that the sales, marketing and distribution efforts of our competitors will not be successful in persuading consumers of our products to switch to their products. Some of our competitors have greater access to resources than we do, which better positions them to conduct market research in relation to branding strategies or costly marketing campaigns. Any loss of consumer brand loyalty to our products or in our ability to effectively brand our products in a recognizable way will have a material effect on our ability to continue to sell our products and maintain our market share, which could have a material adverse effect on our business, results of operations and financial condition.

***We may not be able to establish sustainable relationships with large retailers or regional or national chains.***

In connection with efforts to enter new sales channels, including large retailers and chains, we may have to pay slotting fees based on the number of stores in which our products will be carried. We may not be able to develop these relationships or continue to maintain relationships with large retailers or national chains. Our inability to develop and sustain relationships with large retailers and chains may impede our ability to develop brand and product recognition and increase sales volume and, ultimately, require us to continue to rely on local and more fragmented sales channels, which may have a material adverse effect on our business, results of operations and financial condition. In addition, if we are unable to develop or maintain relationships with large retailers and national chains and such large retailers or chains take market share from the smaller local and more fragmented sales channels, our business, results of operations and financial condition will be adversely impacted.

***New products face intense media attention and public pressure.***

Many of our vaporizers and other products are new to the marketplace. Since their introduction, certain members of the media, politicians, government regulators and advocacy groups, including independent doctors, have called for and driven the adoption of stringent regulation of the sale of certain products and in some cases, an outright ban of such products pending increased regulatory review and a further demonstration of safety. For example, local and state governments have banned certain types of vaporization products, such as those containing flavored liquid nicotine and flavored hemp-derived CBD. Additional bans of this type would likely have the effect of terminating our sales and marketing efforts of certain products in jurisdictions in which we may currently market or have plans to market such products. Such bans would also likely cause public confusion as to which products are the subject of bans, which confusion could also have a material adverse effect on our business, results of operations and financial condition.

***Our success depends, in part, on the quality and safety of our products, as well as the perception of quality and safety in the vaporization products and consumption accessories industry generally.***

Our success depends, in part, on the quality and safety of the products we sell, including manufacturing issues, health concerns about the substances consumed using the products we sell, and unforeseen product misuse. Even a single incident of product defect or misuse, whether relating to products sold by us or just to our industry generally, could result in significant harm to our reputation. For example, incidents of EVALI have, by some metrics, negatively impacted demand for vaporizers. If any of our products are found to be, or are perceived to be, defective or unsafe, or if they otherwise fail to meet our customers' standards, our relationship with our customers could suffer, our reputation or the appeal of our brands could be diminished, and we could lose market share and/or become subject to liability claims, any of which could result in a material adverse effect on our business, results of operations and financial condition.

***Damage to our reputation, or that of any of our key suppliers or their brands, could affect our business performance.***

The success of our business depends in part upon the positive image that consumers have of the third-party brands we distribute. Incidents, publicity or events arising accidentally or through deliberate third-party action that harm the integrity or consumer support of the products we sell could affect the demand for those products. Unfavorable media, whether accurate or not, related to our industry, to us, to our customers, or to the products we sell could negatively affect our corporate reputation, stock price, ability to attract high-quality talent, or the performance of our business. Additional negative publicity or commentary on social media outlets also could cause consumers to react rapidly by avoiding our products and brands or by choosing brands offered by our competitors, which could have a material adverse effect on our business, results of operations and financial condition.

***We are subject to substantial and increasing regulation regarding the vaporization industry.***

In addition to the FDA regulations concerning vaporizer products discussed elsewhere in this Annual Report on Form 10-K/A, we are subject to regulation by numerous other federal agencies, including the Federal Trade Commission, the Alcohol and Tobacco Tax and Trade Bureau, the Federal Communications Commission, the U.S. Environmental Protection Agency, the U.S. Department of Agriculture, U.S. Customs and Border Protection and the U.S. Center for Disease Control and Prevention's Office on Smoking and Health. There have also been adverse legislative and political decisions and other unfavorable developments concerning cigarette smoking and the tobacco industry, which have received widespread public attention. There can be no assurance as to the ultimate content, timing or effect of any regulation of vaporizer products by governmental bodies, nor can there be any assurance that potential corresponding declines in demand resulting from negative media attention would not have a material adverse effect on our business, results of operations and financial condition.

***Significant increases in state and local regulation of our vaporizer products have been proposed and enacted, and are likely to continue to be proposed and enacted in numerous jurisdictions.***

As discussed under the heading "Regulatory Developments" above, there has been increasing activity on the state, provincial and local levels with respect to scrutiny of vaporizer products. State and local governmental bodies across the United States have indicated that vaporization products and certain other consumption accessories may become subject to new laws and regulations at the state and local levels. For example, in January 2015, the California Department of Health declared electronic cigarettes and certain other vaporizer products a health threat that should be strictly regulated like tobacco products. Further, many states and cities have enacted regulations that require retailers to obtain a tobacco retail license in order to sell electronic cigarettes and vaporizer products. Many states, provinces and some cities have passed laws restricting the sale of electronic cigarettes and certain other vaporizer products. If one or more states or provinces from which we generate or anticipate generating significant sales of vaporizer products bring actions that prevent us from selling certain or all of our vaporizer products, we would be required to cease sales and distribution of certain products to those states, which could have a material adverse effect on our business, results of operations and financial condition. Additionally, if one or more states or provinces from which we generate or anticipate generating significant sales of vaporizer products bring actions that require us to obtain certain licenses, approvals or permits, and if we are not able to obtain the necessary licenses, approvals or permits for financial reasons or otherwise and/or any such license, approval or permit is determined to be overly burdensome to us, then we may be required to cease sales and distribution of our products to those states, which could have a material adverse effect on our business, results of operations and financial condition.

Certain states, provinces and cities have already restricted the use of electronic cigarettes and vaporizer products in smoke free venues. Additional city, state, provincial or federal regulators, municipalities, local governments and private industry may enact rules and regulations restricting the use of electronic cigarettes and vaporizer products in those same places where cigarettes cannot be smoked. Because of these restrictions, our customers may reduce or otherwise cease using our vaporization products or certain other consumption accessories, which could have a material adverse effect on our business, results of operations and financial condition.

The Canadian federal government, as well as certain provincial governments have passed or propose to pass legislation which will restrict the extent to which e-cigarettes, e-liquid and other vaping products may be displayed or sold. Additionally, Canadian laws require health warnings to be placed on certain vaporizer products, which could reduce the appeal of these products. These regulations and future regulations could have a material adverse effect on our business, results of operations and financial condition.

Based on regulations surrounding health-related concerns related to the use of some of our vaporizer products, possible new or increased taxes by government entities intended to reduce use of our products or to raise revenue, additional governmental regulations concerning the marketing, labeling, packaging or sale of some of our products, negative publicity resulting from actual or threatened legal actions against us or other companies in our industry, all may reduce demand for, or increase the cost of, certain of our products, which could adversely affect our profitability and ultimate success.

***Our business depends partly on continued purchases by businesses and individuals selling or using cannabis pursuant to state laws in the United States or Canadian and provincial laws.***

Because some of our B2C customers use some of the items that we sell to consume cannabis and some of our B2B customers operate in the legal national and state cannabis industry, our business depends partly on federal, state, provincial and local laws, regulations, guidelines and enforcement pertaining to cannabis. In both the United States and Canada, those factors are in flux.

*United States*

Currently, in the United States, 47 states and the District of Columbia permit some form of cannabis cultivation, sales, and use for certain medical purposes ("medical states"). Twenty-one of those states and the District of Columbia have also legalized cannabis for adults for non-medical purposes (sometimes referred to as recreational use). Several medical states may extend legalization to adult use.

States' cannabis programs have proliferated and grown even though the cultivation, sale and possession of cannabis is considered illegal under U.S. federal law. Under the CSA, cannabis is a Schedule I drug, meaning that the Drug Enforcement Administration recognizes no accepted medical use for cannabis, and the substance is considered illegal under federal law.

In an effort to provide guidance to U.S. Attorneys' offices regarding the enforcement priorities associated with cannabis in the United States, the U.S. Department of Justice (the "DOJ") has issued a series of memoranda detailing its suggested enforcement approach. During the administration of former President Obama, each memorandum acknowledged the DOJ's authority to enforce the CSA in the face of state laws, but noted that the DOJ was more committed to using its limited investigative and prosecutorial resources to address the most significant threats associated with cannabis in the most effective, consistent, and rational way.

On August 29, 2013, the DOJ issued what came to be called the “Cole Memorandum,” which gave U.S. Attorneys the discretion not to prosecute federal cannabis cases that were otherwise compliant with applicable state law that had legalized medical or adult-use cannabis and that have implemented strong regulatory systems to control the cultivation, production, and distribution of cannabis. The eight federal priorities were preventing:

- The distribution of cannabis to minors;
- Revenue from the sale of cannabis from going to criminal enterprises, gangs, and cartels;
- The diversion of cannabis from states where it is legal under state law in some form to other states;
- State-authorized cannabis activities from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
- Violence and the use of firearms in the cultivation and distribution of cannabis;
- Drugged driving and exacerbation of other adverse public health consequences associated with cannabis use;
- Growing cannabis on public lands and the attendant public safety and environmental dangers posed by cannabis production on public lands; and
- Cannabis possession or use on federal property.

Accordingly, the Cole Memorandum provided lawful cannabis-related enterprises a tacit federal go-ahead in states with legal cannabis programs, provided that the state had adopted and was enforcing strict regulations and oversight of the medical or adult-use cannabis program in accordance with the specific directives of the Cole Memorandum.

On January 4, 2018, Attorney General Jeff Sessions issued a memorandum that rescinded previous DOJ guidance on the state legal cannabis industry, including the Cole Memorandum. Attorney General Sessions wrote that the previous guidance on cannabis law enforcement was unnecessary, given the well-established principles governing federal prosecution that are already in place. As a result, federal prosecutors could and still can use their prosecutorial discretion to decide whether to prosecute even state-legal cannabis activities.

Since the Cole Memorandum was rescinded, however, U.S. Attorneys have generally refrained from prosecuting state law compliant marijuana businesses. Current Attorney General Merrick Garland during his confirmation hearings expressed that “It does not seem to me useful the use of limited resources that we have to be pursuing prosecutions in states that have legalized and are regulating the use of marijuana, either medically or otherwise.”

Since December 2014, companies that are strictly complying with state medical cannabis laws have been protected against enforcement for that activity by an amendment (originally called the Rohrabacher-Blumenauer Amendment, now called the Joyce Amendment) to the Omnibus Spending Bill, which prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level. Federal courts have interpreted the provision to bar the DOJ from prosecuting any person or entity in strict compliance with state medical cannabis laws.

While the protection of the Joyce Amendment prevents prosecutions of state law compliant medical cannabis activities, it does not make cannabis legal. The protection of the Joyce Amendment depends on its continued inclusion in the federal omnibus spending bill, or in some other legislation, and entities’ strict compliance with the state medical cannabis laws. While industry observers expect Congress to extend the protection in future Omnibus Spending Bills, there can be no assurance that it will do so.

Although several cannabis law reform bills are pending in the U.S. Congress, passage of any of them and ultimately the Biden Administration’s support and approval remain uncertain. Unless and until the U.S. Government changes the law with respect to cannabis, and particularly if Congress does not extend the protection of state medical cannabis programs, there is a risk that federal authorities could enforce current federal cannabis law. An increase in federal enforcement against companies licensed under state cannabis laws would negatively impact the state cannabis industries and, in turn, our revenues, profits, financial condition, and business model.

#### *Canada*

On April 13, 2017, the Government of Canada introduced Bill C-45, which proposed the enactment of the Cannabis Act to legalize and regulate access to cannabis. The Cannabis Act proposed a strict legal framework for controlling the production, distribution, sale and possession of medical and recreational adult-use cannabis in Canada. On June 21, 2018, the Government of Canada announced that Bill C-45, received Royal Assent. On July 11, 2018, the Government of Canada published the Cannabis Regulations under the Cannabis Act. The Cannabis Regulations provide more detail on the medical and recreational regulatory regimes for cannabis, including regarding licensing, physical security requirements, product practices, outdoor growing, security, packaging and labelling (including for cannabis accessories), cannabis-containing drugs, document retention requirements, reporting and disclosure requirements, the new access to cannabis for medical purposes regime and

industrial hemp. The majority of the Cannabis Act and the Cannabis Regulations came into force on October 17, 2018; additional Cannabis Regulations took effect on October 17, 2019.

As of December 2022, the Minister of Health and the Minister of Mental Health and Addictions has launched the legislative review of the Cannabis Act. The review is being conducted by a five-member independent, expert panel, who will report their final conclusions and advice to the Ministers by Spring 2024. In addition, Health Canada announced that amendments to the Cannabis Act and its regulations concerning cannabis research and testing. Notably, these amendments increase the public possession limit for cannabis beverages to a level that is similar to other forms of cannabis, such as solid edible cannabis products (i.e. gummies or chocolate) and the amendments change how Health Canada regulates non-therapeutic cannabis research with human participants. As for proposed amendments, Health Canada is proposing amendments to the Cannabis Regulations to protect public health and safety, in particular by protecting young persons and others from inducements to use inhaled cannabis extracts. The proposed amendments would restrict the production, sale, promotion, packaging, or labelling of inhaled cannabis extracts with certain flavors, other than the flavor of cannabis.

While the Cannabis Act provides for the regulation by the federal government of, among other things, the commercial cultivation and processing of cannabis for recreational purposes, it provides the provinces and territories of Canada with the authority to regulate with respect to the other aspects of recreational cannabis, such as distribution, sale, minimum age requirements, places where cannabis can be consumed, and a range of other matters.

The governments of every Canadian province and territory have implemented regulatory regimes for the distribution and sale of cannabis for recreational purposes. In most provinces and territories, the minimum age is 19 years old, except for Québec, where the minimum age is 18. Certain provinces, such as Ontario, have legislation in place that restricts the packaging of vapor products and the manner in which vapor products are displayed or promoted in stores.

The Cannabis Act is a relatively new regime that has no close precedent in Canadian law. The effect of relevant governmental authorities' administration, application and enforcement of their respective regulatory regimes and delays in obtaining, or failure to obtain, applicable regulatory approvals which may be required may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on our business, financial condition and results of operations.

***The federal and state regulatory landscape regarding products containing hemp-derived CBD and other cannabinoids is uncertain and evolving, and new or changing laws or regulations relating to hemp and hemp-derived products could have a material adverse effect on our business, financial condition and results of operations.***

In December 2018, the U.S. government changed the legal status of hemp and its derivatives, including hemp-derived CBD and other cannabinoids. The 2018 Farm Bill, which was signed into law by former President Trump on December 20, 2018 (Pub.L. 115-334), established a new framework for the regulation of hemp production (defined in the Farm Bill as Cannabis sativa L. with a THC concentration of not more than 0.3 percent on a dry weight basis) and extracts of hemp, including CBD. The law also removed hemp and extracts of hemp from the federal controlled substances schedules. The section of the Farm Bill establishing a framework for hemp production, however, makes clear explicitly that it does not affect or modify the United States Federal Food, Drug, and Cosmetic Act (the "FDCA"), section 351 of the Public Health Service Act (addressing the regulation of biological products), the authority of the Commissioner of the FDA under those laws, or the Commissioner's authority to regulate hemp production and sale under those laws.

Since passage of the Farm Bill, the FDA has expressed multiple times its position that any cannabis product, whether derived from hemp or otherwise, marketed with a disease claim (e.g., a claim of therapeutic benefit or disease prevention) must be approved by the FDA for its intended use through one of the drug approval pathways prior to it being introduced into interstate commerce. The FDA has also repeatedly stated its position that introducing food or dietary supplements with added CBD (or THC), regardless of source, into interstate commerce is illegal under the FDCA. Although enforcement under the FDCA may be civil or criminal in nature, the FDA has thus far limited its recent enforcement against companies selling CBD products to warning letters alleging various violations of the FDCA, including that the products bear claims that render the products unapproved and misbranded new drugs, that CBD is excluded from the FDCA's definition of "dietary supplement," and that the FDCA prohibits the addition of CBD to food. The FDA also tested some of the products, and found that many did not contain the levels of CBD they claimed to contain, which could be the basis for a separate violation of the FDCA. In addition, some states have taken actions to restrict or prohibit the sale of CBD products under state law. On January 26, 2023, the FDA issued a statement that after careful review, the FDA concluded that a new regulatory pathway for CBD is needed that balances individuals' desire for access to CBD products with the regulatory oversight needed to manage risks. The agency is prepared to work with Congress on this matter.

We currently distribute very limited products containing hemp-derived CBD and other cannabinoids. Although the Farm Bill removed hemp and its derivatives from the definition of "marijuana" under the CSA, uncertainties remain regarding the cultivation, sourcing, production and distribution of hemp and products containing hemp derivatives. Certain states prohibit the sale of all or certain types of products containing hemp. The laws and regulations of states that permit the sale of products

containing hemp derivatives, such as CBD, impose various requirements, including requirements to obtain certain permits or licenses, related to the marketing, packaging, safety, and sale of products containing hemp derivatives. These laws and regulations are rapidly developing. We may have to quickly adapt our operations to comply with forthcoming and rapidly-shifting federal and state regulations. These regulations could require significant changes to our business, plans or operations concerning hemp-derived products, and could adversely affect our business, financial condition or results of operations. Additionally, while we believe our current operations with respect to hemp derived products such as CBD comply with existing federal and state laws relating to hemp and hemp-derived products in all material respects, legal proceedings alleging violations of such laws could have a material adverse effect on our business, financial condition and results of operations.

***We are subject to legislative uncertainty that could slow or halt the legalization and use of cannabis, which could materially and adversely affect our business.***

Continued development of the cannabis industry is dependent upon continued legislative authorization of cannabis at the state level, as well as the U.S. government's continued non-enforcement of federal cannabis laws against state-law-compliant cannabis businesses. Any number of factors could slow or halt progress in this area. Further, progress, while generally expected, is not assured. Well-funded interests, including businesses in the tobacco, alcohol beverage and the pharmaceutical industries, may have a strong economic opposition to the continued legalization of cannabis. The pharmaceutical industry, for example, is well funded with a strong and experienced lobby that eclipses the funding of the cannabis movement. Any inroads legalization opponents could make in halting the impending cannabis industry could have a detrimental impact on our business. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of those factors could slow or halt the continued legalization and use of cannabis, which would negatively impact our business.

***While we believe that our business and sales do not violate the Federal Paraphernalia Law, legal proceedings alleging violations of such law or changes in such law or interpretations thereof could materially and adversely affect our business, financial condition or results of operations.***

Under U.S. Code Title 21 Section 863 (the "Federal Paraphernalia Law"), the term "drug paraphernalia" means "any equipment, product or material of any kind which is primarily intended or designed for use in manufacturing, compounding, converting, concealing, producing, processing, preparing, injecting, ingesting, inhaling, or otherwise introducing into the human body a controlled substance." That law exempts "(1) any person authorized by local, State, or Federal law to manufacture, possess, or distribute such items" and "(2) any item that, in the normal lawful course of business, is imported, exported, transported, or sold through the mail or by any other means, and traditionally intended for use with tobacco products, including any pipe, paper, or accessory." Any nonexempt drug paraphernalia offered or sold by any person in violation of the Federal Paraphernalia Law can be subject to seizure and forfeiture upon the conviction of such person for such violation, and a convicted person can be subject to fines under the Federal Paraphernalia Law and even imprisonment.

We believe our sales do not violate the Federal Paraphernalia Law in any material respect. First, we understand that a substantial majority of the products we offer and sell were and are not primarily intended or designed for any purpose not permitted by the Federal Paraphernalia Law. Indeed, many of the manufacturers whose products we sell disclaim that the products are for use with cannabis. Second, we restrict the sale of certain products — those that may have been primarily intended or designed for use with cannabis — to comply with the Federal Paraphernalia Law's exemption for sales authorized by state law. In particular, we (a) do not sell those products at all into the states that have maintained complete or near complete cannabis prohibition and (b) limit the sale of those products to licensed cannabis businesses, such as dispensaries, cultivators, and manufacturers, in the states that authorize sales of cannabis paraphernalia only through state-licensed cannabis businesses. Third, we have been in business for many years without facing even threatened legal action under the Federal Paraphernalia Law.

While we believe that our business and sales are legally compliant with the Federal Paraphernalia Law in all material respects, any legal action commenced against us under such law could result in substantial costs and could have an adverse impact on our business, financial condition or results of operations. In addition, changes in cannabis laws or interpretations of such laws are difficult to predict, and could materially and adversely affect our business.

***Officials of the U.S. Customs and Border Protection agency ("CBP") have broad discretion regarding products imported into the United States, and the CBP has on occasion seized imported products on the basis that such products violate the Federal Paraphernalia Law. While we believe the products that we import do not violate such law, any such seizure of the products we sell could have a material adverse effect on our business operations or our results of operations.***

Officials of the CBP have broad discretion regarding products imported into the United States. Individual shipments of imported products we distribute, as well as similar products, have been detained or seized by the CBP for a variety of reasons, including because the CBP officials inspecting the goods believed such goods were marketed as drug paraphernalia and therefore violated the Federal Paraphernalia Law. Although we and other suppliers or distributors of such products have at

times successfully contested such actions of the CBP, such challenges are costly and time consuming. While we would disagree with any conclusion of the CBP that our product sales violate the Federal Paraphernalia Law, we cannot give any assurance that the CBP will not make additional seizures of our imports, or that if the CBP seizes any of our goods that the CBP would not seek to impose penalties related to such imports. Should we elect to contest any such seizure, the costs of doing so could be substantial and there are no assurances we would prevail in a contested proceeding. Additionally, the cost and/or results of any such contest could adversely impact our business, financial condition or results of operations. Additionally, if the CBP fails to release seized products, we may no longer be able to ensure a sellable supply of some of our products, which could have a material adverse impact on our business, financial condition and results of operations.

***Because our business is dependent, in part, upon continued market acceptance of cannabis by consumers, any negative trends could materially and adversely affect our business, financial conditions or results of operations.***

We are dependent on public support, continued market acceptance and the proliferation of consumers in the legal cannabis markets. While we believe that the market and opportunity in the space continue to grow, we cannot predict the future growth rate or size of the market. Any downturns in, or negative outlooks on, the cannabis industry may materially and adversely affect our business and financial condition.

***We and our customers may have difficulty accessing the service of banks, which may make it difficult for us and for them to sell our products.***

Financial transactions involving proceeds generated by cannabis-related activities can form the basis for prosecution under the U.S. federal money laundering statutes, unlicensed money transmitter statutes and the U.S. Bank Secrecy Act. Guidance issued by the Financial Crimes Enforcement Network (“FinCEN”) clarifies how financial institutions can provide services to cannabis-related businesses consistent with their obligations under the Bank Secrecy Act. Furthermore, since the rescission by former U.S. Attorney General Jeff Sessions on January 4, 2018 of the Cole Memorandum, U.S. federal prosecutors have had greater discretion when determining whether to charge institutions or individuals with any of the financial crimes described above based upon cannabis-related activity. As a result, given these risks and their own related disclosure requirements, many banks remain hesitant to offer banking services to cannabis-related businesses. Consequently, those businesses involved in the cannabis industry continue to encounter difficulty establishing banking relationships. Indeed, we have been asked to close bank accounts due to our activity in the cannabis industry. We may become unable maintain stable banking relationships, which would create significant challenges in operating our business, increase our operating costs, pose additional operational, logistical and security challenges, and result in our inability to implement our business plan. Additionally, if our more significant customers are unable maintain their current banking relationships, we might not be able to continue transacting with such customers.

***Our payments system and the payment systems of our customers depend on third-party providers and are subject to evolving laws and regulations.***

We and our retail customers have engaged third-party service providers to perform underlying credit and debit card processing, currency exchange, identity verification and fraud analysis services. If these service providers do not perform adequately or if our relationships, or the relationships of our retail customers with these service providers, were to terminate, our ability or the ability of such retail customers to process payments could be adversely affected and our business would be harmed.

The laws and regulations related to payments are complex and are potentially impacted by tensions between federal and state treatment of the vaporization, tobacco, nicotine and cannabis industries. These laws and regulations also vary across different jurisdictions in the United States, Canada and globally. As a result, we are required to spend significant time and effort to comply with those laws and regulations. Any failure or claim of our failure to comply, or any failure by our third-party service providers to comply, could cost us substantial resources, could result in liabilities, or could force us to stop offering our customers the ability to pay with credit cards, debit cards and bank transfers. As we expand the availability of these payment methods or offer new payment methods to our customers in the future, we may become subject to additional regulations and compliance requirements.

Further, through our agreement with our third-party credit card processors, we are indirectly subject to payment card association operating rules and certification requirements, including restrictions on product mix and the Payment Card Industry Data Security Standard, 02 PCIDSS. We also are subject to rules governing electronic funds transfers. Any change in these rules and requirements could make it difficult or impossible for us to comply.

Due to our acceptance of credit cards in our e-commerce business, we are subject to the Payment Card Industry Data Security Standard, designed to protect the information of credit card users. We have had a security incident in the past, which we do not believe reached the level of a breach, that would be reportable under state laws or our other obligations; however there can be no assurance that our determination was correct. In the event our determination is challenged and found to have



been incorrect, we may be subject to claims by one or more state attorney generals, federal regulators, or private plaintiffs and we may additionally be subject to claims or fines from credit associations.

***We are subject to certain U.S. federal regulations relating to cash reporting.***

The U.S. Bank Secrecy Act, enforced by FinCEN, a division of the U.S. Department of the Treasury, requires a party in trade or business to file with the U.S. Internal Revenue Service (the "IRS") a Form 8300 report within 15 days of receiving a cash payment of over \$10,000. While we receive very few cash payments for the products we sell, if we fail to comply with these laws and regulations, the imposition of a substantial penalty could have a material adverse effect on our business, results of operations and financial condition.

***If countries, states, and provinces continue the trend of imposing, expanding, and increasing taxes on vaporizer products, it could materially and adversely affect our business.***

Supply to our customers is sensitive to increased sales taxes and economic conditions affecting their disposable income. Discretionary consumer purchases, such as of vaporization products and consumption accessories, may decline during recessionary periods or at other times when disposable income is lower and taxes may be higher.

As discussed under "Regulatory Developments" above, the sale of vaporization products and certain other consumption accessories is, in certain jurisdictions, subject to federal, state, provincial and local excise taxes like the sale of conventional cigarettes or other tobacco products, all of which generally have high tax rates and have faced significant increases in the amount of taxes collected on their sales. Other jurisdictions are contemplating similar legislation and other restrictions on electronic cigarettes and certain other vaporizer products. Should federal, state, provincial and local governments and/or other taxing authorities continue to impose excise taxes similar to those levied against conventional cigarettes and tobacco products on vaporization products or consumption accessories, it may have a material adverse effect on the demand for those products, as consumers may be unwilling to pay the increased costs, which in turn could have a material adverse effect on our business, results of operations and financial condition.

***We could be required to collect additional sales taxes or be subject to other tax liabilities that may increase the costs our B2C customers would have to pay for our product offering, which could materially and adversely affect our operating results.***

An increasing number of states have considered or adopted laws that attempt to impose tax collection obligations on out-of-state companies. Additionally, the Supreme Court of the United States recently ruled in *South Dakota v. Wayfair, Inc. et al.*, or Wayfair, that online sellers can be required to collect sales and use tax despite not having a physical presence in the buyer's state. In response to Wayfair, or otherwise, states or local governments may adopt, or begin to enforce, laws requiring us to calculate, collect, and remit taxes on sales in their jurisdictions. A successful assertion by one or more states requiring us to collect taxes where we presently do not do so, or to collect more taxes in a jurisdiction in which we currently do collect some taxes, could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest. The imposition by state governments or local governments of sales tax collection obligations on out-of-state sellers could also create additional administrative burdens for us, put us at a competitive disadvantage if they do not impose similar obligations on our competitors and decrease our future sales, which could have a material adverse impact on our business, financial condition and results of operations.

***We may become involved in regulatory or agency proceedings, investigations, prosecutions, and audits.***

Our business, and the businesses of the suppliers from which we acquire products we sell, requires compliance with many laws and regulations in many jurisdictions globally across multiple product categories and regulatory regimes. Failure to comply with these laws and regulations could subject us or such suppliers to regulatory or agency proceedings, investigations, or prosecutions, and could also lead to damage awards, fines and penalties. We or such suppliers may become involved in a number of government proceedings, investigations and audits. The outcome of any government proceedings, investigations, prosecutions, audits, and other contingencies could harm our reputation or the reputations of the brands that we sell, require us to take, or refrain from taking, actions that could harm our operations or require us to pay substantial amounts of money, harming our financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on our business, financial condition and results of operations.

***We are subject to increasing international control and regulation.***

The World Health Organization's Framework Convention on Tobacco Control ("FCTC") is the first international public health treaty that establishes a global agenda to reduce initiation of tobacco use and regulate tobacco in an effort to encourage tobacco cessation. Over 170 governments worldwide have ratified the FCTC, including Canada. The FCTC has led to increased efforts to reduce the supply of and demand for tobacco products and to encourage governments to further regulate

the tobacco industry. The tobacco industry and others expect significant regulatory developments to take place over the next few years, driven principally by the FCTC.

If the United States ratifies the FCTC and/or national laws are enacted in the United States that reflect the major elements of the FCTC, our business, results of operations and financial condition could be materially and adversely affected. In addition, if any of our vaporization products or consumption accessories become subject to one or more of the significant regulatory initiatives proposed under the FCTC or any other international treaty, our business, results of operations and financial condition may also be materially adversely affected.

We currently distribute products across Canada and Europe, in addition to distributing certain products in select international markets. As part of our strategy, we anticipate further international expansions. Future expansions may subject us to additional or increasing international regulation, either by that country's legal requirements or through international regulatory regimes, such as the FCTC, to which those countries may be signatories.

Countries' laws implementing the European Union Tobacco Products Directive ("TPD") impose strict regulations on the approval, sale, and advertising of e-cigarettes. Although we do not sell or market any material quantities of products classified as e-cigarettes in Europe, countries could enact new laws implementing the TPD or other laws or regulations that re-classify and/or restrict the products we may sell or market in Europe. Any future measures that limit our ability to market or sell vaporization products or other consumption accessories in Europe may have a material adverse effect on our business, results of operations, and financial condition.

To the extent our existing or future products become subject to international regulatory regimes that we are unable to comply with or fail to comply with, they may have a material adverse effect on our business, results of operations and financial condition.

***Changes in our credit profile may affect our relationship with our suppliers, which could have a material adverse effect on our liquidity.***

Changes in our credit profile may affect the way our suppliers view our ability to make payments and may induce them to shorten the payment terms of their invoices. Given the large dollar amounts and volume of our purchases from suppliers, a change in payment terms may have a material adverse effect on our liquidity and our ability to make payments to our suppliers and, consequently, may have a material adverse effect on us.

***We face intense competition and may fail to compete effectively.***

The vaporization products and consumption accessories industry is characterized by brand recognition and loyalty, with product quality features, price, marketing and packaging constituting the primary methods of competition. Substantial marketing support, merchandising display, competitive pricing and other financial incentives generally are required to introduce a new brand or to improve or maintain a brand's market position. Our principal competitors may be significantly larger than us and aggressively seek to limit the distribution or sale of our products.

Competition in the vaporization products and consumption accessories industry is particularly intense, and the market is highly fragmented. In addition, some competitors still have the ability to access sales channels through the mail or major parcel carriers, which is no longer available to us and may place us at a competitive disadvantage.

"Big tobacco" and other well-resourced competitors are continuing to establish its presence in the vaporization products and consumption accessories market. There can be no assurance that our products will be able to compete successfully against these companies or any of our other competitors, some of which have far greater resources, capital, experience, market penetration, sales and distribution channels than us. In addition, if large online retailers such as Amazon establish their presence in the vaporization products and consumption accessories market, our sales through both our direct to consumer e-commerce channel and our business-to-business wholesale channel may be harmed. Competitors, including "big tobacco" and large online retailers, may also have more resources than us for advertising, which could have a material adverse effect on our ability to build and maintain market share, and thus have a material adverse effect on our business, results of operations and financial condition.

***We experience variability in our net sales and net income on a quarterly basis as a result of many factors.***

We experience variability in our net sales and net income on a quarterly basis as a result of many factors. These factors include:

- the relative mix of vaporization products and consumption accessories sold during the period;
- the general economic environment and competitive conditions, such as pricing;
- the timing of procurement cycles by our customers;
- seasonality in customer spending and demand for products we provide;

- variability in supplier programs;
- the introduction of new and upgraded products;
- changes in prices from our suppliers;
- changes to our strategy;
- trade show attendance;
- promotions;
- the loss or consolidation of significant suppliers or customers;
- our ability to control costs;
- the timing of our capital expenditures;
- the condition of our industry in general and our customers specifically;
- regulatory developments that limit or expand the products we may sell, or the manner in which those products may be transported;
- any inability on our part to obtain adequate quantities of products;
- delays in the release by suppliers of new products and inventory adjustments;
- delays in the release of imported products by customs authorities;
- our expenditures on new business ventures and acquisitions;
- performance of acquired businesses;
- adverse weather conditions, natural disasters, pandemics, or other events that affect supply or customer response;
- distribution or shipping to our customers; and
- geopolitical events.

Our planned operating expenditures each quarter are based on sales forecasts for the quarter. If our sales do not meet expectations in any given quarter, our operating results for that quarter may be materially adversely affected. Our narrow margins may magnify the impact of these factors on our operating results. We believe that period-to-period comparisons of our operating results are not necessarily a good indication of our future performance. In addition, our results in any quarterly period are not necessarily indicative of results to be expected for a full fiscal year. In future quarters, our operating results may be below the expectations of public market analysts or investors and, as a result, the market price of our Class A common stock could be materially adversely affected.

***Product defects could increase our expenses, damage our reputation or expose us to liability.***

We may not be able to adequately address product defects. Product defects in vaporizers and other accessories may harm the health or safety of our end-consumers. In addition, remedial efforts could be particularly time-consuming and expensive if product defects are only found after we have sold the defective product in volume. Any actual or perceived defects in our products could result in unsold inventory, product recalls, repairs or replacements, damage to our reputation, increased customer service costs and other expenses, as well as divert management attention and expose us to liabilities. Furthermore, a product liability claim brought against us by our customers or end-consumers could be time-consuming and costly to defend and, if successful, could require us to make significant payments.

***Contamination of, or damage to, our products could adversely impact sales volume, market share and profitability.***

Our market position may be affected through the contamination of our products, as well as the material used during the manufacturing processes of the products we sell, or at different points in the entire supply chain. For example, we have previously detected low levels of contaminants in certain extraction gasses sold by us. We keep significant amounts of inventory of our products in warehouses and it is possible that this inventory could become contaminated prior to arrival at our premises or during the storage period. If contamination of our inventory or packaged products occurs, whether as a result of a failure in quality control by us or by one of our suppliers, we may incur significant costs in replacing the inventory and recalling products. We may be unable to meet customer demand and may lose customers who purchase alternative brands or products. In addition, consumers may lose confidence in the affected product.

Under the terms of our contracts, we generally impose requirements on our suppliers to maintain quality and comply with product specifications and requirements, and with all federal, state and local laws. Our suppliers, however, may not continue to produce products that are consistent with our standards or that are in compliance with applicable laws, and we cannot guarantee that we will be able to identify instances in which our suppliers fail to comply with our standards or applicable laws. A loss of sales volume from a contamination event may occur, and such a loss may affect our ability to supply our current customers and to recapture their business in the event they are forced to switch products or brands, even if on a temporary basis. We may also be subject to legal action as a result of a contamination, which could result in negative publicity and affect our sales. During this time, our competitors may benefit from an increased market share that could be difficult and costly to regain. Such a contamination event could have a material adverse effect on our business, results of operations and financial condition.

***We may not have adequate insurance for potential liabilities, including liabilities arising from litigation.***

In the ordinary course of business, we have and in the future may become the subject of various claims, lawsuits and governmental proceedings seeking damages or other remedies concerning our commercial operations, the products we distribute, our employees and other matters, including potential claims by individuals alleging injury or other harm caused by the products we distribute. Some of these claims may relate to the activities of businesses that we have acquired, even though these activities may have occurred prior to our acquisition of the businesses. The products we distribute may contain lithium ion or similar type batteries that can explode or release hazardous substances. In addition, defects in the products we distribute could result in death, personal injury, property damage, pollution, release of hazardous substances or damage to equipment and facilities. Actual or claimed defects in the products we distribute may give rise to claims against us for losses and expose us to claims for damages.

We maintain insurance to cover certain of our potential losses, and we are subject to various self-retentions, deductibles and caps under our insurance. We face the following risks with respect to our insurance coverage:

- we may not be able to continue to obtain insurance on commercially reasonable terms;
- we may incur losses from interruption of our business that exceed our insurance coverage;
- we may be faced with types of liabilities that will not be covered adequately or at all by our insurance;
- our insurance carriers may not be able to meet their obligations under the policies; or
- the dollar amount of any liabilities may exceed our policy limits.

Even a partially uninsured claim, if successful and of significant size, could have a material adverse effect on us. Finally, even in cases where we maintain insurance coverage, our insurers may raise various objections and exceptions to coverage that could make uncertain the timing and amount of any possible insurance recovery.

***Due to our position in the supply chain of vaporization products and consumption accessories, we are subject to personal injury, product liability and environmental claims involving allegedly defective products.***

Our customers use certain products we distribute in potentially hazardous applications that can result in personal injury, product liability and environmental claims. A catastrophic occurrence at a location at which consumers use the products we distribute may result in our company being named as a defendant in lawsuits asserting potentially large claims, even though we did not manufacture such products or even if such products were not used in the manner recommended by the manufacturer. Applicable law may render us liable for damages without regard to negligence or fault. Certain of these risks are reduced by the fact that we are, in many instances, a distributor of products that third-party manufacturers produce, and, thus, in certain circumstances, we may have third-party warranty or other claims against the manufacturer of products alleged to have been defective. However, there is no assurance that these claims could fully protect us or that the manufacturer would be financially able to provide protection. There is no assurance that our insurance coverage will be adequate to cover the underlying claims. Our insurance does not provide coverage for all liabilities (including liability for certain events involving pollution or other environmental claims).

***We may become subject to significant product liability litigation.***

The tobacco and e-cigarette industries have experienced and continue to experience significant product liability litigation and other claims, such as those related to marketing of tobacco and e-cigarettes to minors. As a result of their relative novelty, electronic cigarette, vaporizer product and other consumption product manufacturers, suppliers, distributors and sellers have only recently become subject to litigation. While we have not been a party to any product liability litigation, several lawsuits have been brought against other manufacturers and sellers of smokeless products for injuries to health allegedly caused by use of smokeless products. We may be subject to similar claims in the future relating to our vaporizer products. We may also be named as a defendant in product liability litigation against one of our suppliers by association, including in class action lawsuits. In addition, we may see increasing litigation over our vaporizer products or the regulation of our products as the regulatory regimes surrounding these products develop. For example, California's Proposition 65 ("Prop 65") requires the State of California to identify chemicals that could cause cancer, birth defects, or reproductive harm, and businesses selling products in California are then required to warn consumers of any possible exposure to the chemicals on the list. The State of California and private plaintiffs have been active in enforcing Prop 65 against companies in the tobacco, nicotine, cannabis, and vaporization industries. We may face substantial costs due to increased product liability litigation relating to new regulations or other potential defects associated with our vaporizer and other consumption products, including litigation arising out of faulty devices or improper usage, which could have a material adverse effect on our business, results of operations and financial condition.

There can be no assurances that we will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of products.

***The scientific community has not yet extensively studied the long-term health effects of the use of vaporizers, electronic cigarettes or e-liquids products.***

Vaporizers, electronic cigarettes and related products were recently developed and therefore the scientific community has not had a sufficient period of time to study the long-term health effects of their use. Currently, there is no way of knowing whether these products are safe for their intended use. If the scientific community were to determine conclusively that use of any or all of these products poses long-term health risks, market demand for these products and their use could materially decline. Such a determination could also lead to litigation and significant regulation. Loss of demand for our product, product liability claims and increased regulation stemming from unfavorable scientific studies on these products could have a material adverse effect on our business, results of operations and financial condition.

***Reliance on information technology means a significant disruption could affect our communications and operations.***

We increasingly rely on information technology systems for our internal communications, controls, reporting and relations with customers, vendors and suppliers, and information technology is becoming a significantly important tool for our sales staff. Our marketing and distribution strategy is dependent upon our ability to closely monitor consumer and market trends on a highly specified level, for which we are reliant on our sophisticated data tracking systems, which are susceptible to disruption or failure. For example, we experienced interruptions in our ability to accept and fulfill customer orders during the implementation of our new enterprise resource planning ("ERP") system. In addition, our reliance on information technology exposes us to cyber-security risks, which could have a material adverse effect on our ability to compete. Security and privacy breaches may expose us to liability and cause us to lose customers, or may disrupt our relationships and ongoing transactions with other entities with whom we contract throughout our supply chain. The failure of our information systems to function as intended, or the penetration by outside parties intent on disrupting business processes, could result in significant costs, loss of revenue, assets or personal or other sensitive data and reputational harm.

***Internet security poses a risk to our e-commerce sales.***

At present, we generate a portion of our sales through e-commerce sales on our own websites and fulfillment activities through third-party websites. We manage our websites and e-commerce platform internally and, as a result, any compromise of our security or misappropriation of proprietary information could have a material adverse effect on our business, results of operations and financial condition. We rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to effect secure Internet transmission of confidential information, such as credit and other proprietary information. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments may result in a compromise or breach of the technology used by us to protect client transaction data. Anyone who is able to circumvent our security measures could misappropriate proprietary information or cause material interruptions in our operations. We may be required to expend significant capital and other resources to protect against security breaches or to minimize problems caused by security breaches. To the extent that our activities or the activities of others involve the storage and transmission of proprietary information, security breaches could damage our reputation and expose us to a risk of loss and/or litigation. Our security measures may not prevent security breaches. Our failure to prevent these security breaches may result in consumer distrust and may adversely affect our business, results of operations and financial condition.

***Security and privacy breaches may expose us to liability and cause us to lose customers.***

Federal, provincial and state laws require us to safeguard our customers' financial information, including credit information, as well as our employees' information. Although we have established security procedures to protect against identity theft and the theft of information of our customers, distributors, consumers, and employees, our security and testing measures may not prevent security breaches and breaches of privacy may occur, which would harm our business. Typically, we rely on encryption and authentication technology licensed from third parties to enhance transmission security of confidential information in relation to financial and other sensitive information that we have on file. Advances in computer capabilities, new discoveries in the field of cryptography, inadequate facility security or other developments may result in a compromise or breach of the technology used by us to protect customer data. Any compromise of our security could harm our reputation or financial condition and therefore, our business. In addition, a party who is able to circumvent our security measures or exploit inadequacies in our security measures, could, among other effects, misappropriate proprietary information, cause interruptions in our operations or expose customers and other entities with which we interact to computer viruses or other disruptions. Actual or perceived vulnerabilities may lead to claims against us. To the extent the measures we have taken prove to be insufficient or inadequate, we may become subject to litigation or administrative sanctions, which could result in significant fines, penalties or damages and harm to our reputation.

***If the methodologies of internet search engines are modified, traffic to our websites and corresponding consumer origination volumes could decline.***

We depend in part on various internet search engines, including Google® and others to direct a significant amount of traffic to our websites. Our ability to maintain the number of visitors directed to our websites by search engines through which we distribute our content is not entirely within our control. Our competitors' search engine optimization ("SEO") efforts may result in their websites receiving a higher search result page ranking than ours, or Internet search engines could revise their methodologies, which could adversely affect the placement of our search result page ranking. If search engine companies modify their search algorithms in ways that are detrimental to our consumer growth or in ways that make it harder for our customers to access or use our websites, or if our competitors' SEO efforts are more successful than ours, our consumer engagement and number of consumers could decline. Any reduction in the number of consumers directed to our websites could negatively affect our ability to earn revenue. If traffic on our websites declines, we may need to employ more costly resources to replace lost traffic, and such increased expense could adversely affect our business, results of operations and financial condition.

***We are a holding company and depend upon our subsidiaries for our cash flow.***

We are a holding company. Our subsidiaries conduct all of our operations and own substantially all of our tangible assets. Consequently, our cash flow and our ability to meet our obligations or to make other distributions in the future will depend upon the cash flow of our subsidiaries and our subsidiaries' payment of funds to us in the form of distributions, dividends, tax sharing payments or otherwise.

The ability of our subsidiaries to make any payments to us will depend on their earnings and cash flow, the terms of their current and future indebtedness, tax considerations and legal and contractual restrictions on their ability to make distributions.

Our subsidiaries are separate and distinct legal entities. Any right that we have to receive any assets of or distributions from any of our subsidiaries upon the bankruptcy, dissolution, liquidation or reorganization, or to realize proceeds from the sale of their assets, will be junior to the claims of that subsidiary's creditors, including trade creditors and holders of debt that the subsidiary issued.

***Our intellectual property may be infringed and we may be unable to secure or maintain all the intellectual property required to sell all of our offerings.***

We currently rely on trademark and other intellectual property rights to establish and protect the brand names and logos we own or license on the products we distribute. Third parties have in the past infringed, and may in the future infringe, on these trademarks and our other intellectual property rights. Our ability to maintain and further build brand recognition is dependent on the continued use of these trademarks, service marks and other proprietary intellectual property, including the names and logos we own or license. Despite our attempts to ensure these intellectual property rights are protected, third parties may take actions that could materially and adversely affect our rights or the value of this intellectual property. Any litigation concerning our intellectual property rights or the intellectual property rights of our suppliers, whether successful or unsuccessful, could result in substantial costs to us and diversions of our resources. Expenses related to protecting our intellectual property rights or the intellectual property rights of our suppliers, the loss or compromise of any of these rights or the loss of revenues as a result of infringement could have a material adverse effect on our business, results of operations and financial condition, and may prevent the brands we own or license, or are owned or licensed by our suppliers, from growing or maintaining market share. There can be no assurance that any trademarks or common marks that we own or license, or are owned or licensed by our suppliers, will not be challenged in the future, invalidated or circumvented or that the rights granted thereunder or under licensing agreements will provide us or our suppliers competitive advantages. We are dependent on the validity, integrity and intellectual property of our suppliers and their efforts to appropriately register, maintain and enforce intellectual property in all jurisdictions in which their products are sold.

We devote significant resources to the registration and protection of our trademarks and to anti-counterfeiting efforts. Despite these efforts, we regularly discover products that infringe on our proprietary rights or that otherwise seek to mimic or leverage our intellectual property or the intellectual property of our suppliers. Counterfeiting and other infringing activities typically increase as brand recognition increases, especially in markets outside the United States and Canada. Counterfeiting and other infringement of our intellectual property could divert away sales, and association of our brands with inferior counterfeit reproductions or third party labels could adversely affect the integrity and reputation of our brands.

Although we currently hold a number of patents on our products, we generally rely on patents on the products of our suppliers as well as their efforts in successfully defending third-party challenges to such products. Third parties have in the past infringed, and may in the future infringe, on our patents and our suppliers' patents. Our ability to maintain and enforce our patent rights, and the ability of our suppliers, licensors, collaborators and manufacturers to maintain and enforce their patent rights, against third-party challenges to their validity, scope or enforceability plays an important role in determining our future. There can be no assurances that we will ever successfully file or receive any patents in the future, and changes in either the patent laws or in interpretations of patent laws in the United States or other countries may diminish the value of the intellectual

property rights of the products we distribute, license or own. Accordingly, we cannot predict with any certainty the range of claims that may be allowed or enforced concerning the products that we sell.

In addition, there can be no assurance that standard intellectual property confidentiality and assignment agreements with employees, consultants and other advisors will not be breached, that we will have adequate remedies for any breach, or that our trade secrets will not otherwise become known to or independently developed by competitors. Furthermore, there can be no assurance that our efforts to protect our intellectual property will prevent others from unlawfully using our trademarks, trade secrets, copyrights and other intellectual property. Our success depends in part, on our continued ability to maintain our intellectual property and those of our suppliers, and to protect our trade secrets. An inability to continue to preserve and protect our intellectual property would likely have a material adverse effect on our business, results of operations and financial condition.

***We are subject to the risks of exchange rate fluctuations.***

Currency movements and suppliers' price increases relating to currency exchange rates are significant factors affecting our cost of sales. Many of our products are purchased from suppliers located in foreign countries and we make payments for our products in numerous currencies. Thus, we bear certain foreign exchange rate risk for certain of our inventory purchases. In addition, we recently expanded our footprint in Canada and Europe, and as part of our strategy, we may undertake further international expansion. As a result, in the future, we may be more sensitive to the risks of exchange rate fluctuations, which may have a material adverse effect on our business, results of operations and financial condition.

***There are conflicts of interest among certain of our executive officers and our stockholders.***

Certain of our executive officers are engaged in other activities and have interests in other entities on their own behalf or on behalf of other persons. Neither we, nor our stockholders will have any rights in these ventures or their income or profits. Specifically, we sold \$0.4 million and \$0.2 million in products and supplies to Unrivaled Brands Inc. ("Unrivaled") in the years ended December 31, 2022 and 2021, respectively. Total gross accounts receivable due from Unrivaled were approximately \$0.4 million and \$0.4 million as of December 31, 2022 and 2021, respectively. Nicholas Kovacevich, our Chief Corporate Development Officer, and a member of our Board until January 6, 2023 is an investor in Unrivaled and a member of its board of directors.

While we are not aware of any conflict that has arisen or any transaction that has not been conducted on an arm's length basis to date, Mr. Kovacevich may have conflicting fiduciary duties between us, Unrivaled and his own personal financial interests, for which he must recuse himself from certain of our decision-making processes.

We do not allow a conflicted shareholder, director or executive officer to vote on matters wherein a conflict may be perceived. The conflicted person or entity is not allowed to nominate an alternate person to vote for them either. Other than this safeguard, we do not current have any policy in place, should such a conflict arise.

In particular:

- our executive officers or directors or their affiliates may have an economic interest in, or other business relationship with, entities that compete in the same businesses as us; and
- our executive officers or directors or their affiliates have interests in entities that we sell products or services to.

In any of these cases:

- our executive officers or directors may have a conflict between our current interests and their personal financial and other interests in another business venture;
- our executive officers or directors may have conflicting fiduciary duties to us and the other entity; and
- the terms of transactions with the other entity may not be subject to arm's length negotiations and therefore may be on terms less favorable to us than those that could be procured through arm's length negotiations.

***We are required to comply with laws and regulations in other countries and are exposed to business risks associated with our international operations.***

For the years ended December 31, 2022 and 2021, we derived 7.8% and 12.1%, respectively, of our net sales from outside the United States, primarily in Canada and certain European countries. As a result, we are subject to numerous evolving and complex laws and regulations which apply, among other things, to financial reporting standards, corporate governance, data privacy, tax, trade regulations, export controls, competitive practices, labor, health and safety laws, laws regarding controlled substances, laws regarding drug paraphernalia, and regulations in each jurisdiction in which we operate. We are also required to obtain permits and other authorizations or licenses from governmental authorities for certain of our operations and we or our suppliers' must protect our intellectual property worldwide. In the jurisdictions in which we operate, we need to comply with various standards and practices of different regulatory, tax, judicial and administrative bodies.

There are a number of risks associated with international business operations, including political instability (e.g., the threat of war, terrorist attacks or civil unrest), inconsistent regulations across jurisdictions, unanticipated changes in the regulatory environment, and import and export restrictions. Any of these events may affect our employees, reputation, business or financial results as well as our ability to meet our objectives, including the following international business risks:

- negative economic developments in economies around the world and the instability of governments, or the downgrades in the debt ratings of certain major economies;
- social and political instability;
- complex regulations governing certain of our products;
- potential terrorist attacks;
- adverse changes in governmental policies, especially those affecting trade, tariffs and investment;
- foreign currency exchange, particularly with respect to the Canadian Dollar, Euro, British Pound Sterling and Australian Dollar; and
- threats that our operations or property could be subject to nationalization and expropriation.

We may not be in full compliance at all times with the laws and regulations to which we are subject. Likewise, we may not have obtained or may not be able to obtain the permits and other authorizations or licenses that we need. If we violate or fail to comply with laws, regulations, permits, labor, health and safety regulations or other authorizations or licenses, we could be fined or otherwise sanctioned by regulators. In such a case, or if any of these international business risks were to materialize, our business, results of operations and financial condition could be adversely affected.

***New tariffs and the evolving trade policy dispute between the United States and China may adversely affect our business.***

On August 14, 2017, then President Trump instructed the U.S. Trade Representative (“USTR”) to determine under Section 301 of the U.S. Trade Act of 1974 (the “Trade Act”) whether to investigate China’s laws, policies, practices or actions that may be unreasonable or discriminatory and that may be harming American intellectual property rights, innovation or technology development. On March 22, 2018, based upon the results of its investigation, the USTR published a report finding that the acts, policies and practices of the Chinese government are unreasonable or discriminatory and burden or restrict U.S. commerce.

On March 8, 2018, President Trump imposed significant tariffs on steel and aluminum imports from a number of countries, including China. Subsequently, the USTR announced an initial proposed list of 1,300 goods imported from China that could be subject to additional tariffs and initiated a dispute with the World Trade Organization against China for alleged unfair trade practices.

On June 15, 2018, the USTR announced a list of products subject to additional tariffs pursuant to Section 301 of the Trade Act of 1974 (19 U.S.C. 2411)(“the Section 301 tariffs”). Since that time the Section 301 tariffs have been expanded and applied to four lists of product groups (List 1, List 2, List 3 and List 4). List 4 was subsequently split into List 4A and List 4B. With the exception of a limited group of 352 excluded products, the Section 301 tariffs continue at 25% on goods covered under List 1, List 2 and List 3 as well as 7.5% on goods covered under List 4A. The Section 301 tariffs have been suspended on goods covered under List 4B. Also, the Section 301 tariff exclusions on the 352 products referenced are due to expire September 30, 2023.

These tariffs and the evolving trade policy dispute between the United States and China may have a significant impact on the industries in which we participate. Many of the products we sell, including without limitation, certain vaporizer products, aluminum grinders, paper products and plastic products, are subject to the 25 percent tariff and such tariff, along with resultant price increases, may negatively impact our pricing and customer demand for these products. A “trade war” between the United States and China or other governmental action related to tariffs or international trade agreements or policies has the potential to adversely impact demand for our products, our costs, customers, suppliers and/or the United States economy or certain sectors thereof and, thus, to adversely impact our businesses and results of operations.

***Our failure to comply with certain environmental, health and safety regulations could materially and adversely affect our business.***

The storage, distribution and transportation of some of the products that we sell are subject to a variety of federal, state, provincial and local environmental regulations. We are also subject to operational, health and safety laws and regulations. Our failure to comply with these laws and regulations could cause a disruption in our business, an inability to maintain our warehousing resources, additional and potentially significant remedial costs and damages, fines, sanctions or other legal consequences that could have a material adverse effect on our business, results of operations and financial condition. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to our operations or give rise to material liabilities, which could have a material adverse effect on our business, financial condition and results of operations.



***We are transitioning our business and have engaged, and may continue to engage in, dispositions via sales of our assets or other exit activities and other strategic initiatives and we may face risks related to such transactions.***

We have engaged in, and expect to continue to pursue, strategic dispositions and initiatives, as we transition our business. Dispositions present significant challenges and risks relating the separation of disposed businesses. Such risks include: (i) we may incur unanticipated costs or expenses, (ii) we may not be able to successfully separate divested businesses and related obligations from our operations as planned, and (iii) we may not be able to realize anticipated reductions in costs attributable to divested businesses or assets. Divestitures may also involve continued financial involvement in, or liability with respect to, the divested businesses. As a result of divestiture transactions, we could incur severance charges for personnel and payments for lease and other commitments, charges from the impairment or write-off of assets, and other financial loss due to the transaction. Furthermore, there is the risk that we might lose customers. In addition, we may not realize the degree or timing of benefits we anticipate when we first enter into a transaction. There can be no assurances that we will manage dispositions or other strategic initiatives successfully, that strategic opportunities will be available to us on acceptable terms or at all, or that we will be able to consummate desired transactions. Any of the foregoing could materially adversely affect our competitive position, financial condition, results of operations or cash flows. For more information on the disposition activities we have undertaken to date, please see "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview — Plan to Accelerate Path to Profitability and Capitalize the Business" and "Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources."

***We intend to continue to pursue selective acquisitions to complement our organic growth, which may not be successful and may divert financial and management resources.***

We intend to continue to identify appropriate opportunities to acquire or invest in technologies, businesses or assets that are strategically important to our business or form alliances with key participants in our industry to further expand our business. However, we may not be successful in identifying suitable acquisition opportunities or completing such transactions. Our competitors may be more effective in executing and closing acquisitions in competitive auctions than us. Furthermore, we have historically used common stock as partial consideration in certain acquisitions such as our acquisitions of Eyce and DaVinci, and our ability to complete acquisitions using common stock going forward may not be attractive if our common stock continues to trade a depressed levels. Our ability to enter into and complete acquisitions may be restricted by, or subject to, various approvals under U.S., Canadian or other applicable law or may not otherwise be possible, may result in a possible dilutive issuance of our securities, or may require us to seek additional financing. We also may experience difficulties integrating acquired operations, technology, and personnel into our existing business and operations. Completed acquisitions may also expose us to potential risks, including risks associated with unforeseen or hidden liabilities, impact to our corporate culture, the diversion of resources from our existing business, and the potential loss of, or harm to, relationships with our suppliers, business relationships or employees as a result of our integration of new businesses. In addition, following completion of an acquisition, our management and resources may be diverted from their core business activities due to the integration process, which diversion may harm the effective management of our business. Furthermore, it may not be possible to achieve the expected synergies or the actual cost of delivering such benefits may exceed the anticipated cost. Any of these factors may have an adverse effect on our business, results of operations and financial condition.

***Our operations are subject to natural disasters, adverse weather conditions, operating hazards, environmental incidents and labor disputes.***

We may experience earthquakes, floods, typhoons, power outages, labor and trade disputes or similar events beyond our control that would affect our warehousing and distribution operations. The occurrences of such events could result in shutdowns or periods of reduced operations, which could significantly disrupt our business operations, cause us to incur additional costs and affect our ability to deliver our products to our customers as scheduled, which may adversely affect our business, results of operations and financial condition. Moreover, such events could result in severe damage to property, personal injuries, fatalities, regulatory enforcement proceedings or in us being named as a defendant in lawsuits asserting claims for large amounts of damages, which in turn could lead to significant liabilities.

***Complications and disruptions associated with the design and implementation of our new ERP system have occurred and could adversely impact our business and operations in the future.***

We rely extensively on information systems and technology to manage our business and summarize operating results. We have substantially completed our multi-year implementation of a new ERP system for our Consumer Products division, which replaced our existing operating and financial systems. However, we are still in the process of transitioning from the legacy KushCo ERP system for our Industrial Products and certain Consumer Products. The ERP system is designed to accurately maintain the Company's financial records, enhance operational functionality and provide timely information to the Company's management team related to the operation of the business. The ERP system implementation process has required, and will continue to require, the investment of significant personnel and financial resources. Although we expect the ERP implementation to increase efficiencies by leveraging a common, cloud-based system throughout all divisions and standardizing processes and reporting, we have and may continue to experience complications and disruptions to our business and operations during the transition from our legacy systems. For example, we saw our order processing become significantly impacted by this transition in early 2022.

We may not be able to successfully operate the ERP system without experiencing further delays, increased costs and other difficulties. If we are unable to successfully utilize the new ERP system as planned, our financial position, results of operations and cash flows could be negatively impacted. Additionally, if the ERP system does not operate as intended, the effectiveness of our internal control over financial reporting could be adversely affected or our ability to assess those controls adequately could be further delayed.

*We are subject to risks associated with public health crises, such as pandemics and epidemics, including the COVID-19 pandemic, which may have a material adverse effect on our business. The nature and extent of future impacts are highly uncertain and unpredictable.*

We are subject to risks associated with public health crises, such as pandemics and epidemics, including the COVID-19 pandemic. While many countries around the world have removed or reduced the restrictions taken in response to the COVID-19 pandemic, the emergence of new variants of COVID-19 virus may result in new governmental lockdowns, quarantine requirements or other restrictions to slow the spread of the virus. In addition, any such measures could also impact the global economy more broadly, for example by leading to further economic slowdowns. While COVID-19 case volumes have decreased in the U.S and certain other countries, the global outlook remains uncertain as case counts fluctuate and vaccination and booster rates remain relatively low in many parts of the world. If we or any of the third parties with whom we engage, including the suppliers, manufacturers and other third parties in our global supply chain, were to experience shutdowns or other significant business disruptions, our ability to conduct our business in the manner presently planned could be materially and negatively impacted. For example, our Higher Standards stores in California and New York were closed for several months in 2020 as a result of COVID-19.

The scope and duration of any future public health crisis, including the potential emergence of new variants of the COVID-19 virus, the pace at which government restrictions are imposed and lifted, the scope of additional actions taken to mitigate the spread of disease, global vaccination and booster rates, the speed and extent to which global markets and utilization rates for our products fully recover from the disruptions caused by such a public health crisis, and the impact of these factors on our business, financial condition and results of operations, will depend on future developments that are highly uncertain and cannot be predicted with confidence.

To the extent the COVID-19 pandemic or other public health crises adversely affect our operations and global economic conditions more generally, it may also have the effect of heightening many of the other risks described herein.

#### **Risks Related to Our Organizational Structure**

*Our principal asset is our interest in the Operating Company, and, accordingly, we depend on distributions from the Operating Company to pay our taxes and expenses. The Operating Company's ability to make such distributions may be subject to various limitations and restrictions.*

We are a holding company and have no material assets other than our ownership of all of the Common Units of the Operating Company. As such, we have no independent means of generating revenue or cash flow. Our ability to pay our operating expenses or declare and pay dividends in the future, if any, will be dependent upon the financial results and cash flows of the Operating Company and its subsidiaries and distributions we receive from the Operating Company. There can be no assurance that the Operating Company and its subsidiaries will generate sufficient cash flow to distribute funds to us or that applicable state law and contractual restrictions, including negative covenants, in any future debt instruments, will permit such distributions. In addition, because we are a holding company, our stockholders' claims as a stockholder will be structurally subordinated to all existing and future liabilities and obligations of the Operating Company. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of the Operating Company and its subsidiaries will be available to satisfy the claims of our stockholders only after all of our and Greenlane Holdings, LLC's and its subsidiaries' liabilities and obligations have been paid in full.

The Operating Company is treated as a partnership for U.S. federal income tax purposes and, as such, is not subject to any entity-level U.S. federal income tax. Instead, taxable income is allocated to holders of Common Units. As of December 31, 2022, we hold all of the outstanding Common Units. Accordingly, we will incur income taxes on any net taxable income of the Operating Company. Under the terms of the Fourth Amended and Restated Agreement of the Operating Company (the "Operating Agreement"), the Operating Company is obligated to make tax distributions to holders of Common Units. In addition to tax expenses, we will also incur expenses related to our operations which we expect could be significant. We intend, as its manager and sole member, to cause the Operating Company to make cash distributions to us in an amount sufficient to (i) fund our tax obligations in respect of taxable income allocated to us and (ii) cover our operating expenses. However, the Operating Company's ability to make such distributions may be subject to various limitations and restrictions, such as restrictions on distributions that would either violate any contract or agreement to which the Operating Company is then a party, including debt agreements, or any applicable law, or that would have the effect of rendering the Operating Company insolvent. If we do not have sufficient funds to pay tax or other liabilities or to fund our operations, we may have to borrow funds, which

could materially adversely affect our liquidity and financial condition and subject us to various restrictions imposed by any such lenders.

***The Tax Receivable Agreement (the "TRA") may require us to make cash payments to the members of the Operating Company in respect of certain tax benefits to which we may become entitled.***

Under the TRA we entered into with the Operating Company and its members, we are required to make cash payments to the members of the Operating Partnership equal to 85% of the tax benefits, if any, that we actually realize, or in certain circumstances are deemed to realize, as a result of (i) the increases in the tax basis of assets of the Operating Company resulting from any redemptions or exchanges of Common Units from the members and (ii) certain other tax benefits related to our making payments under the TRA. Although we held all of the outstanding Common Units as of December 31, 2022, payments under the TRA are not conditioned on any member's continued ownership of Common Units or our Class A common stock.

The actual amount and timing of any payments under the TRA will vary depending upon a number of factors, including the amount of gain recognized by prior holders of Common Units, the amount and timing of the taxable income we generate in the future, and the federal tax rates then applicable.

***Fluctuations in our tax obligations and effective tax rate and realization of our deferred tax assets may result in volatility of our operating results.***

We are subject to taxes by the U.S. federal, state, local and foreign tax authorities, and our tax liabilities will be affected by the allocation of expenses to differing jurisdictions. We record tax expense based on our estimates of future earnings, which may include reserves for uncertain tax positions in multiple tax jurisdictions, and valuation allowances related to certain net deferred tax assets. At any one time, many tax years may be subject to audit by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these matters. We expect that throughout the year there could be ongoing variability in our quarterly tax rates as events occur and exposures are evaluated. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including:

- changes in the valuation of our deferred tax assets and liabilities;
- expected timing and amount of the release of any tax valuation allowances;
- tax effects of stock-based compensation;
- changes in tax laws, regulations or interpretations thereof; or
- future earnings being lower than anticipated in countries where we have lower statutory tax rates and higher than anticipated earnings in countries where we have higher statutory tax rates.

In addition, our effective tax rate in a given financial statement period may be materially impacted by a variety of factors including but not limited to changes in the mix and level of earnings, varying tax rates in the different jurisdictions in which we operate, fluctuations in valuation allowances, deductibility of certain items, or by changes to existing accounting rules or regulations. Further, tax legislation may be enacted in the future which could negatively impact our current or future tax structure and effective tax rates. We may be subject to audits of our income, sales, and other transaction taxes by U.S. federal, state, local, and foreign taxing authorities. Outcomes from these audits could have an adverse effect on our operating results and financial condition.

***If we were deemed to be an investment company under the U.S. Investment Company Act of 1940, as amended (the "1940 Act"), as a result of our ownership of the Operating Company, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.***

Under Sections 3(a)(1)(A) and (C) of the 1940 Act, a company generally will be deemed to be an "investment company" for purposes of the 1940 Act if (i) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or (ii) it engages, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40% of the value of its total assets (exclusive of U.S. government securities and cash items) on an unconsolidated basis. We do not believe that we are an "investment company," as such term is defined in either of those sections of the 1940 Act.

As the sole manager of the Operating Company, we control and operate the Operating Company. On that basis, we believe that our interest in the Operating Company is not an "investment security" as that term is used in the 1940 Act. However, if we were to cease participation in the management of the Operating Company, our interest in The Operating Company could be deemed an "investment security" for purposes of the 1940 Act.

We and the Operating Company intend to continue to conduct our operations so that we will not be deemed an investment company. However, if we were to be deemed an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business.

#### **Risks Related to Ownership of Our Class A Common Stock**

*The market price of our Class A common stock has been volatile and has declined significantly since our initial public offering and may face more volatility and price declines in the future. As a result, you may not be able to resell your shares at or above the price at which you have acquired or will acquire shares of our Class A common stock.*

The market price of our Class A common stock has been volatile and has declined significantly since our initial public offering and could face more volatility and price declines in the future as a result of a number of factors, many of which are beyond our control. Furthermore, volatility in our stock price may occur regardless of our operating performance. As a result, you may not be able to sell your shares at or above the price you paid and you could lose a substantial part or all of your investment in our Class A common stock. The following factors could affect our stock price:

- general market conditions, including conditions that are outside of our control, such as actions or proposed actions of the current U.S. Presidential administration and the Federal Reserve to curb inflation or the impact of future public health crises; novel and unforeseen market volatility and trading strategies, such as the short squeeze rallies caused by retail investors on retail trading platforms;
- our financing activities, including the issuance of additional securities;
- our operating and financial performance and the performance of other similar companies;
- the market perception of our industry;
- management turnover;
- the impact, or perceived impact, of new regulations applicable to us, our suppliers or our customers;
- quarterly variations in the rate of growth of our financial indicators, such as net income, net income per share, net sales and adjusted EBITDA;
- our ability to successfully execute our merger and acquisition strategy;
- significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors;
- strategic actions by our competitors or our suppliers;
- product recalls or product liability claims;
- changes in revenue or earnings estimates, or changes in recommendations or withdrawal of research coverage, by equity research analysts;
- liquidity and activity in the market for our Class A common stock;
- speculation in the press or investment community;
- sales of our Class A common stock by us or other stockholders, or the perception that such sales may occur;
- the future incurrence of debt;
- changes in accounting principles;
- additions or departures of key management personnel;
- the de-listing of our Class A common stock from the Nasdaq Global Market;
- news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in our industry or target markets, including, but not limited to, EVALI;
- investors' general perception of us and the public's reaction to our press releases, our other public announcements and our filings with the SEC;
- actions by our stockholders; and
- domestic and international economic, legal and regulatory factors.

The stock markets in general have experienced extreme volatility, particularly recently, that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our Class A common stock.

*Your percentage ownership will be diluted in the future.*

Your percentage ownership will be diluted in the future as a result of equity awards that we expect will be granted to our directors, officers and employees, as well as any shares of our Class A common stock, or securities convertible into shares of our Class A common stock, we issue in connection with future capital raising or strategic transactions at prices that are dilutive to shareholders. Our Second Amended and Restated 2019 Equity Incentive Plan provides for the grant of equity-based awards to our directors, officers and employees. The issuance of any shares of Class A common stock will dilute the proportionate ownership and voting power of existing security holders.

***Substantial sales and issuances of our Class A common stock have and may continue to occur, or may be anticipated, which have and could continue to cause our stock price to decline.***

The market price of shares of our Class A common stock could decline further as a result of substantial sales of our Class A common stock, particularly sales by our directors, executive officers, and significant shareholders pursuant to plans of disposition adopted in accordance with Rule 10b5-1 of the Exchange Act, issuances of Class A common stock at prices that are dilutive to stockholders, a large number of shares of our Class A common stock becoming available for sale or the perception in the market that holders of a large number of shares intend to sell their shares. Additionally, we expect that we will seek to raise additional capital from time to time in the future, which may involve the issuance of additional shares of our Class A common stock, or securities convertible into shares of our Class A common stock in subsequent public or private offerings at dilutive prices if debt is not available to us to fund our working capital needs.

We cannot predict the effect, if any, that these sales, or anticipation of such sales, will have on the market price of our common stock or the timing of any redemption of Common Units. Sales or issuances of substantial amounts of our Class A common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market price of our Class A common stock.

***The requirements of being a public company may strain our resources and distract our management, which could make it difficult to manage our business, particularly after we are no longer an “emerging growth company.”***

As a public company, we are required to comply with various regulatory and reporting requirements, including those required by the SEC. Complying with these reporting and other regulatory requirements is time-consuming and expensive and could have a negative effect on our business, results of operations and financial condition. As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), and the requirements of the Sarbanes-Oxley Act of 2002 (“SOX”). The cost of complying with these requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. SOX requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. To maintain and improve the effectiveness of our disclosure controls and procedures, we must commit significant resources, may be required to hire additional staff and need to continue to provide effective management oversight. Sustaining our growth also will require us to commit additional management, operational and financial resources to identify new professionals to join our company and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management’s attention from other business concerns, which could have a material adverse effect on our business, results of operations, financial condition and cash flows.

In connection with becoming a public company, we obtained Side A directors’ and officers’ insurance coverage, which increased our annual insurance costs. In the future, it may be more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members to our Board in the future, particularly to serve on our audit committee, and qualified executive officers.

As an “emerging growth company” as defined in the JOBS Act, we may take advantage of certain temporary exemptions from various reporting requirements, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404(b) of SOX and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements.

When these exemptions cease to apply, we expect to incur additional expenses and devote increased management effort toward ensuring compliance with them. We will remain an “emerging growth company” for up to five years, although we may cease to be an “emerging growth company” earlier under certain circumstances. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs.

*As a public reporting company, we are subject to rules and regulations established from time to time by the SEC regarding our internal control over financial reporting. In connection with our assessment of the effectiveness of our disclosure controls and procedures, we identified certain material weaknesses in our internal control over financial reporting, which caused our Chief Executive Officer and Chief Financial Officer to determine that our internal control over financial reporting, as well as our disclosure controls and procedures, were not effective as of December 31, 2020 and these material weaknesses have not yet been fully remediated as of December 31, 2022.*

As a public reporting company, we are subject to the rules and regulations established from time to time by the SEC. These rules and regulations require that, among other things, we establish and periodically evaluate procedures with respect to our internal control over financial reporting. Reporting obligations as a public company are likely to place a considerable strain on our financial and management systems, processes and controls, as well as on our personnel.

Our management, including our Chief Executive Officer and Chief Financial and Legal Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2020. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2020, the Company had not maintained effective internal control over financial reporting as a result of the existence of material weaknesses. Consequently, management, with the participation of our Chief Executive Officer and Chief Financial Officer, also concluded that our disclosure controls and procedures were not effective as of December 31, 2020 to provide reasonable assurance that information required to be disclosed by the Company in the reports filed or submitted by it under the Exchange Act were recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and to provide reasonable assurance that information required to be disclosed by the Company in such reports was accumulated and communicated to the Company's management, including, our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

A "material weakness" is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. Although we are implementing measures to remediate the material weaknesses, we cannot give any assurances that the identified material weaknesses will be remediated on a timely basis or at all or that additional material weaknesses will not be identified in the future in connection with our compliance with the provisions of Section 404 of SOX. Our management may be required to devote significant time and expense to remediate these material weaknesses and any other material weaknesses that may be discovered in the future and may not be able to remediate such material weaknesses in a timely manner.

These material weaknesses contributed to a material misstatement of the carrying balance of our definite-lived intangible assets and property and equipment, and related financial disclosures for the Affected Periods. The existence of any additional future material weakness in our internal control over financial reporting could also result in errors in our financial statements that could require us to further restate our financial statements, cause us to fail to meet our reporting obligations, and cause investors to lose confidence in our reported financial information, any of which could lead to a decline in the per share trading price of our common stock.

As described in Item 9A of Part II of this Amendment No. 1 to Annual Report on Form 10-K/A, we are continuing to implement our remediation plan to address the identified material weaknesses, and our management continues to be actively engaged in the remediation efforts. The material weaknesses will not 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.

As previously disclosed, in 2020, we began a multi-year implementation of a new ERP system, which we substantially completed for our Consumer Products division in 2022. However, we are still in the process of transitioning from the legacy KushCo ERP system for our Industrial Products division and certain Consumer Products. The ERP system 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 that additional efforts related to re-designing user access roles and permissions in the existing ERP system, which is expected to be decommissioned in 2023, will be limited. 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.

Because we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm is not required to attest to the effectiveness of our internal control over financial reporting for so long as we are an emerging growth company. Our independent registered public accounting firm will be engaged to provide an attestation report on the effectiveness of our internal control over financial reporting at such time as we cease to be an "emerging growth company," as defined in the JOBS Act.

***We may face litigation and other risks because of the material weaknesses in our internal control over financial reporting.***

Based on management's evaluation and the Audit Committee's consultation with our financial and legal advisors, we concluded that it was appropriate to restate our previously issued consolidated financial statements for the Affected Periods. We determined that material weaknesses in our internal controls over financial reporting contributed to the need to restate our consolidated financial statements.

As a result of these material weaknesses, the restatement, and other matters raised or that may in the future be raised by the SEC, we face potential for litigation or other disputes which may include, among others, claims invoking the federal and state securities laws, contractual claims or other claims arising from the restatement and material weaknesses in our internal control over financial reporting and the preparation of our consolidated financial statements. We can provide no assurance that such litigation or dispute will not arise in the future. Any such litigation or dispute, whether successful or not, could have a material adverse effect on our business, results of operations and financial condition or our ability to complete a business combination.

***We have not paid dividends in the past and have no current plans to pay dividends in the future, and any return on investment may be limited to the value of our common stock.***

We do not anticipate paying cash dividends in the foreseeable future. The payment of dividends will depend on our earnings, capital requirements, financial condition, prospects and other factors our Board may deem relevant. If we do not pay dividends, our stock may be less valuable because a return on your investment will only occur if you sell our Class A common stock after our stock price appreciates above the price at which you acquired such shares.

***If securities analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.***

The trading market for our stock depends in part on the research and reports that securities or industry analysts publish about us or our industry. While there are currently securities analysts covering us, we can provide no assurances that the analysts will continue to publish report or that other securities analysts will initiate coverage. If no securities analysts cover our company, the trading price for our stock could be negatively impacted. In addition, if one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price could decline as a result. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our Class A stock could decrease, which might cause the market price and trading volume of our Class A common stock to decline.

***We have a large number of authorized but unissued shares of stock, which could negatively impact a potential investor if they purchase our Class A common stock.***

On August 9, 2022, we effected the Reverse Stock Split. The Reverse Stock Split did not change the par value of our Class A common stock or the number of shares of Class A common stock or preferred shares authorized by our amended and restated certificate of incorporation. Because the number of authorized shares of our Class A common stock was not reduced proportionally, the Reverse Stock Split increased our Board's ability to issue authorized and unissued shares without further stockholder action. As of December 31, 2022, our amended and restated certificate of incorporation provides for 600,000,000 shares of authorized Class A common stock, 30,000,000 shares of authorized Class B common stock and 10,000,000 shares of authorized preferred stock and we have 15,985,637 shares of Class A common stock outstanding, 18,752,297 shares reserved for exercise or vesting of outstanding warrants and options to purchase shares of Class A common stock and 886,424 shares of Class A common stock reserved for future grant under the Company's equity incentive plan. No shares of Class B common stock or preferred stock are outstanding.

With respect to authorized but unissued and unreserved shares, we could also use such shares to oppose a hostile takeover attempt or delay or prevent changes in control or changes in or removal of management. The issuance of additional shares of Class A common stock or securities convertible into Class A common stock may have a dilutive effect on earnings per share and relative voting power and may cause a decline in the trading price of our Class A common stock. We could use the shares that are available for future issuance in dilutive equity financing transactions, or to oppose a hostile takeover attempt or delay or prevent changes in control or changes in or removal of management, including transactions that are favored by a majority of the stockholders or in which the stockholders might otherwise receive a premium for their shares over then-current market prices or benefit in some other manner.

***Anti-takeover provisions in our certificate of incorporation and amended and restated bylaws and Delaware law could discourage a takeover.***

Our amended and restated certificate of incorporation and our amended and restated bylaws contain provisions that might enable our management to resist a takeover. These provisions include:

- authorizing the issuance of “blank check” preferred stock that could be issued by our Board to increase the number of outstanding shares and thwart a takeover attempt;
- advance notice requirements applicable to stockholders for matters to be brought before a meeting of stockholders and requirements as to the form and content of a stockholder’s notice;
- restrictions on the transfer of our outstanding shares of Class B common stock;
- a supermajority stockholder vote requirement for amending certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws;
- the inability of our stockholders to act by written consent;
- a requirement that the authorized number of directors may be changed only by resolution of the Board;
- allowing all vacancies, including newly created directorships, to be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum, except as otherwise required by law;
- limiting the forum for certain litigation against us to Delaware; and
- limiting the persons that can call special meetings of our stockholders to our Board or the chairperson of our Board.

These provisions might discourage, delay or prevent a change in control of our company or a change in our Board. The existence of these provisions could adversely affect the voting power of holders of Class A common stock and limit the price that investors might be willing to pay in the future for shares of our Class A common stock. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any “interested” stockholder for a period of three years following the date on which the stockholder became an “interested” stockholder.

***We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Class A common stock, which could depress the market price of our Class A common stock.***

Our amended and restated certificate of incorporation authorizes us to issue one or more series of preferred stock. Our Board has the authority to determine the preferences, limitations and relative rights of the shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock can be issued with voting, liquidation, dividend and other rights superior to the rights of our Class A common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discourage bids for our Class A common stock at a premium to the market price, and materially and adversely affect the market price and the voting and other rights of the holders of our Class A common stock.

***Our amended and restated certificate of incorporation and bylaws provide that the Court of Chancery of the State of Delaware is the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders’ ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.***

Our amended and restated certificate of incorporation and our amended and restated bylaws provide that, unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, other than any action or proceeding that, under applicable law, may only be commenced or prosecuted in another forum, (ii) any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to us or to our stockholders, (iii) any action asserting a claim arising pursuant to the Delaware General Corporation Law or our amended and restated certificate of incorporation or bylaws (iv) any action to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation.



*We are a “smaller reporting company” under federal securities laws and we cannot be certain whether the reduced reporting requirements applicable to such companies will make our Class A common stock less attractive to investors.*

We are a “smaller reporting company” under federal securities laws. For as long as we continue to be a smaller reporting company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies, including reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. Generally, we will remain a smaller reporting company so long as our public float remains less than \$250 million as of the last business day of our most recently completed second fiscal quarter. We cannot predict if investors will find our Class A common stock less attractive because we may rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may decline or be more volatile.

#### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

#### **ITEM 2. PROPERTIES**

We lease our headquarters in Boca Raton, Florida with approximately 4,000 square feet of office space. We have also entered into leases for distribution centers in the United States, Canada and Europe, administrative office locations in the United States and Europe, and a retail store in the United States. We believe that our facilities are adequate for our current global operational needs and we are capable of acquiring or leasing additional space as necessary.

#### **ITEM 3. LEGAL PROCEEDINGS**

For information regarding legal proceedings as of December 31, 2022, see “Note 7—Commitments and Contingencies” of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Amendment No. 1 to Form 10-K/A.

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

### **PART II**

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

##### **Market Information**

Our Class A common stock has been listed on the Nasdaq Global Select Market under the symbol “GNLN” since April 18, 2019. Prior to that time, there was no public market for our stock.

Our Class B common stock is neither listed nor traded on any stock exchange.

##### **Holders**

As of December 31, 2022, there were approximately 93 stockholders of record of our Class A common stock. Since certain of our shares of Class A common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of stockholders represented by these record holders.

##### **Dividends**

We have never declared or paid any cash dividends on our Class A common stock. We intend to retain any future earnings and do not expect to pay cash dividends in the foreseeable future.

##### **Unregistered Sales of Equity Securities**

During the three months ended December 31, 2022, we issued shares of Class A common stock in exchange for an equivalent number of shares of Class B common stock and Common Units of the Operating Company pursuant to the terms of our Amended and Restated Certificate of Incorporation and the Operating Company’s Third Amended and Restated Operating Agreement, as follows:

Date	Class A shares issued
*	172
10/11/2022	172
10/31/2022	1,588
10/31/2022	428
12/1/2022	172
12/8/2022	172
12/15/2022	71,250
12/15/2022	76,137
12/30/2022	172
12/30/2022	86

These shares were issued in reliance on an exemption from registration pursuant to Section 4(a)(2) of the Securities Act of 1933.

#### ITEM 6. [Reserved]

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

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes appearing elsewhere in this Amendment No. 1. As discussed in the section titled "Forward-Looking Statements," the following discussion and analysis contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. Furthermore, any forward-looking statements herein were as of the Original Form 10-K, filed with the SEC on March 31, 2023, except for the additional risks arising in relation to the material weaknesses and restatement that are subject of this Amendment No. 1. See "Explanatory Note" in the beginning of this Amendment No. 1. Additionally, certain risks in Item 1A "Risk Factors" have been updated to reflect the Company's risks as of the date of this amended filing. Please refer to a discussion of the Company's forward-looking statements and associated risks in Part II, Item 1A, "Risk Factors" of this Amendment No. 1.*

#### 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, 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, Greco Science, PAX, Cookies and more. The Consumer Goods segment forms a central part of our growth strategy, especially as it relates to scaling our own portfolio of higher-margin proprietary owned brands. In addition to our Consumer Goods segment, we have our Industrial Goods segment, which focuses on serving Cannabis Operators by providing ancillary products essential to their daily operations and growth, such as packaging and vaporization solutions, including our Greenlane Brand Pollen Gear. Refer to "Note 11— Segment Reporting" within Item 8 to this Annual Report on Form 10-K/A 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 announced numerous facility closures (both warehouse and office) throughout 2022. The results of those efforts should be fully materialized in 2023. In addition, we have substantially reduced our headcount and associated salary and wages expenses. 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.

On June 22, 2022, we provided an update on the Liquidity Initiatives, which our management believed could generate more than \$30.0 million of liquidity on a non-dilutive basis by the end of 2022 if all measures were successful. On July 19, 2022, Warehouse Goods entered into that certain Membership Interest Purchase Agreement and supporting documents to sell our 50% stake in VIBES Holdings LLC for total consideration of \$4.6 million in cash. Additionally, 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 as guarantors, the parties thereto from time to time as lenders (the "Lenders"), and WhiteHawk Capital Partners LP, as the agent for the Lenders. As described in 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). Subsequently, on August 16, 2022, 1095 Broken Sound Pwky entered into a Purchase and Sale Agreement with a third-party whereby 1095 Broken Sound agreed to sell a certain parcel of real estate including our headquarters building in Boca Raton, Florida for total consideration of \$9.95 million, and on September 22, 2022 we closed on the sale.

In 2022, we announced our plans to divest our packaging division which should bring in meaningful working capital and allow for substantial cost-reductions. The divestiture should allow us to further consolidate our warehouse footprint into one U.S. warehouse for our Consumer Goods and remaining Industrial Goods. This initiative, combined with restructuring some of our other initiatives, should allow us to reduce our overall cost-structure to a sustainable point, and in combination, convert millions of dollars of inventory back into working capital, thereby significantly improving our balance sheet.

Finally, we are working to sell 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 \$4.1 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 strategic initiatives will significantly reduce costs, help accelerate the Company's path to profitability, support the growth of the business in a non-dilutive manner, and allow the Company to reinvest capital into its highest margin and highest growth potential product lines, such as its Greenlane Brands.

Notwithstanding the 2022 Plan and Liquidity Initiatives, we were required to obtain additional capital through the sale of 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. See Item 7 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources. 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.

#### *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 "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 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 Reverse Stock Split.

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

All share and per share amounts in this Annual Report on Form 10-K/A for the fiscal year ended December 31, 2022 have been retroactively adjusted for all periods presented to give effect to the Reverse Stock Split.

#### **Restatement of Previously Issued Financial Statements**

The accompanying Management's Discussion and Analysis of Financial Condition and Results of Operations gives effect to the correction of the Misstatements described in the Explanatory Note, in our previously reported audited financial statements for the fiscal year ended December 31, 2022 including the restatement of the financial statements for fiscal year ended December 31, 2022 and for the quarterly period ended September 30, 2022. The Company has disclosed in the section below titled Quarterly Discussion and Analysis summarized trends of certain balances that were materially impacted during the period ended September 30, 2022 due to the restatements. For additional information and a detailed discussion of these error corrections, refer to the Explanatory Note, Part II, Item 8, "Note 2 — Summary of Significant Accounting Policies - Restatement of Previously Issued Financial Statements" and Part II, Item 8, "Note 14 — Selected Quarterly Financial Information (Unaudited)."

#### **Critical Accounting Policies and Estimates**

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

#### ***Inventories***

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

### ***Valuation of Goodwill and Indefinite-Lived Intangible Assets***

We allocate the fair value of purchase consideration to the tangible assets acquired, liabilities assumed, and intangible assets acquired based on their estimated fair values. The excess of the fair value of purchase consideration over the fair values of these identifiable assets and liabilities is recorded as goodwill to reporting units based on the expected benefit from the business combination. Such valuations require management to make significant estimates and assumptions. During the measurement period, which is not to exceed one year from the acquisition date, we may record adjustments to the assets acquired and liabilities assumed, with the corresponding offset to goodwill. Upon the conclusion of the measurement period, any subsequent adjustments are recorded to earnings.

We evaluate goodwill and indefinite-lived intangible assets for impairment annually during the fourth quarter of each year and at interim dates if indicators of impairment exist. Goodwill is assessed for impairment at the reporting unit level.

We are required to apply judgment when determining whether or not indications of impairment exist. The determination of the occurrence of a triggering event is based on various considerations, including on our knowledge of the industry, historical experience, market conditions, and specific information available at the time of the assessment. The results of our analysis could vary from period to period depending on how our judgment is applied and the facts and circumstances available at the time of the analysis. Judgment is also required in determining the assumptions and estimates used when calculating the fair value of the reporting unit or the indefinite-lived intangible asset.

Due to declines in the Company's stock price as well as changes to our estimates and assumptions of the expected future cash flows, we recorded impairment charges of approximately \$71.4 million related to goodwill and indefinite-lived intangibles during the year ended December 31, 2022. For additional information about goodwill and intangible assets, see "Note 3—Business Acquisitions" and "Note 8—Supplemental Financial Statement Information" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

### ***Income Taxes and TRA Liability***

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

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

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

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

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

In addition to tax expenses, we may incur expenses related to our operations and may be required to make payments under the Tax Receivable Agreement (the "TRA"), which could be significant. Pursuant to the Gremlane Operating Agreement,

Greenlane Holdings, LLC will generally make pro rata tax distributions to its members in an amount sufficient to fund all or part of their tax obligations with respect to the taxable income of Greenlane Holdings, LLC that is allocated to them and possibly in excess of such amount.

#### ***Legal Contingencies***

In the ordinary course of business, we are involved in legal proceedings involving a variety of matters. Certain of these matters include speculative claims for substantial or indeterminate amounts of damages. We evaluate the associated developments on a regular basis and accrue a liability when we believe that it is both probable that a loss has been incurred and the amount can be reasonably estimated. If we determine there is a reasonable possibility that we may incur a loss and the loss or range of loss can be estimated, we disclose the possible loss in the accompanying notes to the consolidated financial statements to the extent material.

We review the developments in our contingencies that could affect the amount of the provisions that have been previously recorded, and the matters and related reasonably possible losses disclosed. We make adjustments to our provisions and changes to our disclosures accordingly to reflect the impact of negotiations, settlements, rulings, advice of legal counsel, and updated information. Significant judgment is required to determine both the probability of loss and the estimated amount of loss.

The outcome of these matters is inherently uncertain. Therefore, if one or more legal proceedings were resolved against us for amounts in excess of management's expectations, our results of operations and financial condition, including in a particular reporting period in which any such outcome becomes probable and estimable, could be materially adversely affected. See "Note 7—Commitments and Contingencies" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for additional information regarding these contingencies.

#### **Recent Accounting Pronouncements**

See "Note 2—Summary of Significant Accounting Policies" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K/A.

## Results of Operations

The following table presents operating results for the years ended December 31, 2022 and 2021:

	Year Ended December 31,										
	2022		2021		% of Net sales		Change				
		(As restated)					\$	%			
Net sales	\$	137,085	\$	166,060	100.0	%	100.0	%	\$	(28,975)	(17.4)
Cost of sales		112,102		132,207	81.8	%	79.6	%		(20,105)	(15.2)
Gross profit		24,983		33,853	18.2	%	20.4	%		(8,870)	(26.2)
Operating expenses:											
Salaries, benefits and payroll taxes		31,290		34,012	22.8	%	20.5	%		(2,722)	(8.0)
General and administrative		41,000		47,874	29.9	%	28.8	%		(6,874)	(14.4)
Goodwill and indefinite-lived intangibles impairment charge		71,360		—	52.1	%	—	%		71,360	*
Definite-lived intangibles impairment charge		50,694		—	37.0	%	—	%		50,694	*
Property and equipment impairment charge		7,336		—	5.4	%	—	%		7,336	*
Depreciation and amortization		7,405		4,689	5.4	%	2.8	%		2,716	57.9
Total operating expenses		209,085		86,575	152.6	%	52.1	%		122,510	141.5
Loss from operations		(184,102)		(52,722)	(134.4)	%	(31.7)	%		(131,380)	249.2
Other income (expense), net:											
Interest expense		(2,450)		(574)	(1.8)	%	(0.3)	%		(1,876)	326.8
Employee retention credits		4,854		—	3.5	%	—	%		4,854	*
Other expense, net		(541)		(117)	(0.4)	%	(0.1)	%		(424)	362.4
Total other expense, net		1,863		(691)	1.3	%	(0.4)	%		2,554	*
Loss before income taxes		(182,239)		(53,413)	(133.1)	%	(32.3)	%		(128,826)	241.2
Provision for income taxes		(13)		10	—	%	—	%		(23)	(230.0)
Net loss		(182,226)		(53,423)	(133.1)	%	(32.3)	%		(128,803)	241.1
Net loss attributable to non-controlling interest		(12,717)		(22,840)	(9.3)	%	(13.8)	%		10,123	(44.3)
Net loss attributable to Greenlane Holdings, Inc.	\$	(169,509)	\$	(30,583)	(123.8)	%	(18.4)	%	\$	(138,926)	454.3

\*Not meaningful

## Consolidated Results of Operations

### Net Sales

For the year ended December 31, 2022, total net sales were approximately \$137.1 million, compared to approximately \$166.1 million for the year ended December 31, 2021, representing a decrease of \$29.0 million, or 17.4%. The year-over-year decrease was primarily driven by a decrease in Consumer Goods segment of \$62.0 million, or 56.3% decrease, offset by an increase in the Industrial segment of \$33.0 million or 59.0% due to the net sales contributed by our merger with KushCo, which have been included in our results of operations since August 31, 2021, which is the merger completion date. The decline in the Consumer Goods segment is due to a major restructuring effort by the company during fiscal year 2022 to reduce sales and marketing cost to align with revenue, sale of the Company's minority interest in Vibes brand and a 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.

### Cost of Sales and Gross Margin

For the year ended December 31, 2022, cost of sales decreased by \$20.1 million, or 15.2%, as compared to the year ended December 31, 2021. The decrease in cost of sales is aligned with the decrease in revenue of 17.4%.

Gross margin decreased by 2.2% to 18.2% for the year ended December 31, 2022, compared to gross margin of 20.4% for the same period in 2021. The decrease in margin is due to the increased weight on margin from the Industrial segment that has a lower margin profile than the Consumer segment representing 65% of total revenue for fiscal year 2022 versus only representing 34% of total revenue for fiscal year 2021. Excluding inventory write-offs of damaged and obsolete inventory in 2022 and 2021 of \$9.6 million and \$10.5 million gross margins decreased 1.5% to 25.2% in 2022, compared to 26.7% for the same period in 2021.

Gross margin, or gross profit as a percentage of net sales, has been and will continue to be affected by a variety of factors, including the average mark-up over the cost of our products; the mix of products sold; purchasing efficiencies; the level of sales for certain third-party brands, which carry contractual profit sharing obligations; and the potential impact on freight costs arising from passing of the PACT Act amendment noted under Regulatory Developments. Many of our products are sourced from suppliers who may use their own third-party manufacturers, and our product costs and gross margins may be impacted by the product mix we sell in any given period. Furthermore, Consumer Goods segment and Industrial segment margins are significantly different, due to their respective customer bases, product mix and types of transactions. Industrial segment revenue is comprised of a stable customer base of wholesale and business to business customers, resulting in a lower-volume of transactions with a higher average transaction price and lower margin sales. Conversely, Consumer Goods sales are comprised of business to business, retail and e-commerce sales that consist of a higher volume of transactions with lower average prices and higher margins.

#### Salaries, Benefits and Payroll Taxes

Salaries, benefits and payroll taxes expenses decreased by approximately \$2.7 million, or 8.0% , to \$31.3 million for the year ended December 31, 2022, compared to \$34.0 million for the same period in 2021. The decrease is related to a reduction in workforce of 49% throughout fiscal year 2022. The Company reduced headcount from 308 employees as of December 31, 2021 to 157 employees as of December 31, 2022. The decrease was offset by a full year of compensation expense related to the KushCo merger for fiscal year 2022 versus only four months of expense from the merger date of August 31, 2021 for fiscal year 2021.

As we continue to closely monitor the evolving business landscape, including the impacts of COVID-19 on our customers, vendors, and overall business performance, 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 \$6.9 million, or 14.4%, for the year ended December 31, 2022, compared to the same period in 2021. This decrease was primarily due to a decrease of approximately \$4.9 million in professional fees related to accounting, legal, general sub-contracting and M&A; a decrease of \$1.1 million in insurance expense, a decrease of \$1.3 million in marketing expense, a decrease of \$1.6 million in merchant credit card fees due to the decrease in revenue and a gain of \$1.4 million related to the sale of assets primarily driven by the sale of the Company's 50% interest in the Vibes entity and the Company's headquarters in Boca Florida offset by some asset losses. The decreases were offset by a one-time VAT liability gain recorded in 2021 of \$1.7 million, bad debt expense increase of \$1.1 million and increases in other general and administrative expenses of \$0.7 million.

#### Goodwill and Indefinite-Lived Intangibles Impairment Charge

We incurred a goodwill and indefinite-lived intangibles impairment charge of approximately \$71.4 million during the year ended December 31, 2022, compared to no such impairment charge for the comparable period in 2021. This impairment charge was due to declining business and declining enterprise value.

#### Definite-Lived Intangibles Impairment Charge

As discussed in "Note 2 — Significant Accounting Policies - Restatement of Previously Issued Financial Statements," we incurred an impairment charge of approximately \$50.7 million during the year ended December 31, 2022, compared to no such impairment charge for the comparable period in 2021. This impairment charge was due to declining business and declining enterprise value.

#### Property and Equipment Impairment Charge

As discussed in "Note 2 — Significant Accounting Policies - Restatement of Previously Issued Financial Statements," we incurred an impairment charge of approximately \$7.3 million related to capitalized ERP software costs during the year ended December 31, 2022, compared to no such impairment charge for the comparable period in 2021. This impairment charge was due to declining business and declining enterprise value.

#### Depreciation and Amortization Expenses



Depreciation and amortization expense increased \$2.7 million, or 57.9%, for the year ended December 31, 2022, compared to the same period in 2021. The increase is primarily related to the additional depreciation and amortization expense related to assets acquired in conjunction with the KushCo merger, the Eyce and DaVinci business acquisitions, and the ERP implementation.

*Other Income (Expense), Net*

*Interest expense*

Interest expense increased approximately \$1.9 million during the fiscal year 2022 versus fiscal year 2021. The increase is primarily related to the new Asset-Based Loan, Bridge Loan and the Eyce and DaVinci promissory notes.

*Employee retention credits*

As of December 31, 2022, we had recorded an 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 Employee Retention Credit ("ERC") program.

*Other expense, net*

Other expense, net, increased by approximately \$0.4 million for the year ended 2022 primarily due to changes in the fair value of contingent consideration and other losses, compared to the same period in 2021.

***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 fourth quarter of 2022.

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 chief operating decision maker ("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 years ended December 31, 2022 and 2021:

			% of Total Net sales		Change	
	2022	2021	2022	2021	\$	%
<b>Net sales:</b>						
Consumer Goods	\$ 48,134	\$ 110,105	35.1 %	66.3 %	\$ (61,971)	(56.3)%
Industrial Goods	88,951	55,955	64.9 %	33.7 %	32,996	59.0 %
Total net sales	\$ 137,085	\$ 166,060	100.0 %	100.0 %		
<b>% of Segment Net sales</b>						
	2022	2021	2022	2021	\$	%
<b>Cost of sales:</b>						
Consumer Goods	\$ 38,531	\$ 87,561	80.0 %	79.5 %	\$ (49,030)	(56.0)%
Industrial Goods	73,571	44,646	82.7 %	79.8 %	28,925	64.8 %
Total cost of sales	\$ 112,102	\$ 132,207				
<b>Gross profit:</b>						
Consumer Goods	\$ 9,603	\$ 22,544	20.0 %	20.5 %	\$ (12,941)	(57.4)%
Industrial Goods	15,380	11,309	17.3 %	20.2 %	4,071	36.0 %
Total gross profit	\$ 24,983	\$ 33,853				

#### Consumer Goods

For the year ended December 31, 2022, our Consumer Goods operating segment reported net sales of approximately \$48.1 million compared to approximately \$110.1 million for the same period in 2021, representing a decrease of \$62.0 million or 56.3%. The decline in the Consumer Goods segment is due to a major restructuring effort by the Company during fiscal year 2022 to reduce sales and marketing cost to align with revenue, sale of the Company's minority interest in Vibes brand and a 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 year ended December 31, 2022, cost of sales decreased by \$49.0 million, or 56.0%, as compared to the same period in 2021. The decrease in cost of sales was primarily due to the 56.3% decrease in Consumer Goods net sales.

Gross margin remained relatively flat at approximately 20.0% for the year ended December 31, 2022, compared to gross margin of approximately 20.5% for the same period in 2021. Excluding inventory write-offs of damaged and obsolete inventory charges of \$3.8 million, gross margin was approximately 28% for year ended December 31, 2022, compared to gross margin of approximately 25.0%, excluding damaged and obsolete charges of \$5.2 million, for the same period in 2021.

#### Industrial Goods

For the year ended December 31, 2022, our Industrial Goods operating segment reported net sales of approximately \$89.0 million compared to approximately \$56.0 million for the same period in 2021, representing an increase of \$33.0 million or 59.0%. The increase is directly related to net sales contributed by our merger with KushCo, which have been included in our results of operations since August 31, 2021, which is the merger completion date.

For the year ended December 31, 2022, cost of sales increased by \$28.9 million, or 64.8%, as compared to the same period in 2021. The increase is directly related to cost of sales contributed by our merger with KushCo, which have been included in our results of operations since August 31, 2021, which is the merger completion date.

Gross margin was approximately 17.3% for the year ended December 31, 2022, compared to gross margin of approximately 20.2% for the same period in 2021, representing 2.9% year over year decrease. Excluding inventory write-offs of damaged and obsolete inventory charges of \$5.1 million, gross margin was approximately 23% for year ended December 31, 2022, compared to gross margin of approximately 30%, excluding damaged and obsolete charges of \$5.3 million, for the same period in 2021.

#### Net Sales by Geographic Regions

	Year Ended December 31,					
			% of Net sales		Change	
	2022	2021	2022	2021	\$	%
Net sales:						
United States	\$ 126,333	\$ 146,006	92.2 %	87.9 %	\$ (19,673)	(13.5)%
Canada	5,810	9,717	4.2 %	5.9 %	(3,907)	(40.2)%
Europe	4,942	10,337	3.6 %	6.2 %	(5,395)	(52.2)%
Total net sales	\$ 137,085	\$ 166,060	100.0 %	100.0 %	\$ (28,975)	(17.4)%

For the year ended December 31, 2022, our United States net sales to customers in the United States were approximately \$126.3 million, compared to approximately \$146.0 million for the same period in 2021, representing a decrease of \$19.7 million, or 13.5%. The year-over-year decrease was primarily due to an overall business decline in the Industrial and Consumer Goods segments.

For the year ended December 31, 2022, our Canadian net sales were approximately \$5.8 million, compared to approximately \$9.7 million for the same period in 2021, representing a decrease of \$3.9 million, or 40.2%. The year-over-year decrease was primarily due to an overall business decline in the Industrial and Consumer Goods segments.

For the year ended December 31, 2022, our European net sales were approximately \$4.9 million, compared to approximately \$10.3 million for the same period in 2021, representing a decrease of \$5.4 million, or 52.2%.

#### ***Quarterly Discussion and Analysis***

The following discussion should be read in conjunction with the accompanying restated unaudited condensed consolidated financial statements disclosed in Note 14 to our financial statements included in Part II, Item 8 of this Amendment No. 1.

#### ***Definite-Lived Intangibles and Fixed Asset Impairment Charge***

As discussed in "Note 2 — Significant Accounting Policies - Restatement of Previously Issued Financial Statements," we incurred an impairment charge of approximately \$50.7 million to Definite-Lived Intangibles and \$7.3 million to Fixed Assets during the three months ended September 30, 2022, compared to no such impairment charge for the comparable period in 2021. This impairment charge was due to declining business and declining enterprise value.

#### **Liquidity and Capital Resources**

Our primary requirements for liquidity and capital are working capital, debt service related to recent acquisitions and general corporate needs. Our primary sources of liquidity are our cash on hand and the cash flow that we generate from our operations, as well as proceeds other equity issuances such as our June 2022 and October 2022 offerings. As of December 31, 2022, we had approximately \$12.2 million of which \$5.7 million was restricted and \$0.8 million was held in foreign bank accounts, and approximately \$41.0 million of working capital, which is calculated as total current assets minus total current liabilities, as compared to approximately \$12.9 million of cash, of which \$0.7 million was held in foreign bank accounts, and approximately \$53.8 million of working capital as of December 31, 2021. 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.

At Greenlane, we are hyper-focused on making our business profitable and well-capitalized for long-term sustainability, and 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. We are in the process of divesting the packaging product line, which is expected to provide liquidity and allow for ongoing substantial cost reductions. We have successfully renegotiated supplier partnership terms and are continuing to improve working capital arrangements with suppliers. We have made tremendous progress consolidating and streamlining our office, warehouse, and distribution operations footprint in 2022 and we have plans to continue consolidating and streamlining in 2023. We have reduced our workforce by approximately 49% throughout fiscal year 2022 to reduce costs and align with our revenue projections. We continue to improve internal systems with a focus on improving efficiency through technology.

We believe that our cash on hand and the cash flow that we generate from our operations 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. 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 twelve consecutive months may not exceed one-third of our public float. Since the launch of the ATM program in August 2021 and through September 30, 2022, we sold 972,624 shares of our Class A common stock under the ATM Program, which generated gross proceeds of approximately \$12.7 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 offered \$6.8 million in securities pursuant to Instruction I.B.6 in the twelve calendar months preceding the date of filing of this Quarterly Report on Form 10-Q. 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.

On March 10, 2022, we announced the 2022 Plan to reduce our cost structure, increase liquidity and accelerate our path to profitability. The 2022 Plan includes a recently completed reduction in force, reduction of facility footprints worldwide, a sale leaseback of our headquarters building, disposition of non-core assets, discontinuation of lower-margin third-party brands, increase of prices on select products and securing an asset-based loan that will support our working capital needs (with respect to the sale of the Company's headquarters building, discontinuation and disposition of non-core and lower-margin inventory and securing an asset-backed loan, the "Liquidity Initiatives"). Please see "Item 2 — Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview — 2022 Plan" for more information.

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 July 19, 2022, Warehouse Goods LLC ("Warehouse Goods"), a wholly owned subsidiary of the Company, entered into a Membership Interest Purchase Agreement and supporting documents (collectively, the "Sale Agreement"), to sell the Company's 50% stake in VIBES Holdings LLC for total consideration of \$4.6 million in cash and 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 August 9, 2022, we entered into an asset-based loan agreement dated as of August 8, 2022 (the "Loan Agreement"), which made available to the Company a term loan of up to \$15.0 million. On February 9, 2023, we entered into Amendment No. 2 to the Loan Agreement, in which we agreed to, among other things, voluntarily prepay approximately \$6.6 million (inclusive of early termination fees and expenses) under the terms provided for under the Loan Agreement and the lenders under the Loan Agreement agreed to release \$5.7 million in funds held in a blocked account pursuant to the terms of the Loan Agreement.

On 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, 1,377,780 October 2022 Pre-Funded Warrants and 16,666,670 October 2022 Standard Warrants. The October 2022 Units were offered pursuant to a Registration Statement on Form S-1. The October 2022 Offering generated gross proceeds of approximately \$7.5 million and net proceeds to the Company of approximately \$6.8 million.

On November 3, 2022, we entered into that certain Lease Termination Agreement, dated as of October 31, 2022 solely for reference purposes (the "Lease Termination Agreement"), by and between us and Warland Investments Company (the "Landlord"), which provided for the termination of our lease at 6261 Katella Avenue in Cypress, California (collectively, the "Lease Termination"). Pursuant to the terms of the Lease Termination Agreement, we agreed to pay a fee of approximately \$0.5 million as an early termination fee in consideration for the Landlord agreeing to terminate all of our remaining obligations under the Cypress lease. We expect the Lease Termination to result in approximately \$1.7 million in savings, although we can provide no assurances as to the total amount of savings ultimately realized from the Lease Termination.

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 Annual Report on Form 10-K.

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 \$4.9 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 this 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 December 31, 2022, 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 consolidated financial statements included in Part II, Item 8 of this Form 10-K/A:

<i>(in thousands)</i>	Year Ended December 31,	
	2022	2021
Net cash used in operating activities	\$ (26,426)	\$ (37,330)
Net cash provided by (used in) investing activities	12,025	(19,691)
Net cash provided by financing activities	13,930	38,963

#### Net Cash Used in Operating Activities

During 2022, net cash used in operating activities of approximately \$26.4 million was a result of a net loss of \$182.2 million offset by non-cash adjustments to net loss of \$140.6 million, including an impairment charges related to goodwill and indefinite-lived intangibles of \$71.4 million, definite-lived intangibles of \$50.7 million and property and equipment of \$7.3 million. In addition, there was a \$15.2 million increase in cash provided by working capital primarily driven by decreases in our accrued expenses and accounts payable, and decreases in inventories offset by higher other current assets.

During 2021, net cash used in operating activities of approximately \$37.3 million consisted of (i) net loss of \$53.4 million, offset by non-cash adjustments to net loss of approximately \$9.6 million, including stock-based compensation expense of approximately \$5.7 million, depreciation and amortization expense of approximately \$4.7 million, and an offsetting reversal on the allowance of an indemnification receivable of approximately \$1.7 million, and (ii) \$6.5 million cash used in working capital primarily driven by decreases in accounts payable, accrued expenses and customer deposits of approximately \$6.9 million, offset by decreases in accounts receivable, inventories, vendor deposits and other current assets of approximately \$13.4 million, which included the collection of an indemnification asset of approximately \$0.9 million, and the reduction of our VAT receivable balance upon the collection of a refund from the Dutch tax authorities of approximately \$4.1 million.

#### Net Cash Provided by (Used in) Investing Activities

During 2022, net cash provided by investing activities of (i) approximately \$9.6 million of cash proceeds from the sale of our assets held for sale, (ii) approximately \$4.6 million of cash proceeds from the disposition of our interests in VIBES, and (iii) approximately \$0.6 million of cash proceeds from the sale of certain equity securities investments, offset by approximately \$2.8 million of cash used for capital expenditures, including development costs for our new enterprise resource planning system.

During 2021, net cash used in investing activities of approximately \$19.7 million consisted of (i) approximately \$15.6 million of cash used for the acquisition of Eyce, KushCo, and DaVinci, net of cash acquired, (ii) \$4.4 million for capital expenditures, including development costs for our new enterprise resource planning system, and (iii) \$0.3 million of cash for the purchase of intangible assets, offset by proceeds from the sale of assets held for sale of approximately \$0.7 million.

#### Net Cash Provided by Financing Activities

During 2022, net cash provided by financing activities primarily consisted of (i) approximately \$21.1 million of cash proceeds from the issuance of Class A common stock related to our ATM Program, the June 2022 Offering and the October

2022 Offering, (2) approximately \$14.6 million of cash proceeds from our Asset-Based Loan, offset by debt issuance costs of \$1.5 million, and (iii) approximately \$0.9 million of cash used for contingent consideration payments, (iv) and approximately \$19.4 million of cash used for repayments related to the Eyce and DaVinci promissory notes, the payoff of the Real Estate Note, and repayment of the Bridge Loan.

During 2021, net cash provided by financing activities of approximately \$39.0 million primarily consisted of cash proceeds of approximately \$32.6 million from the issuance of Class A common stock in conjunction with our Common Stock and Warrant Offering in August 2021 and ATM Program, net proceeds from the issuance of the Bridge Loan of approximately \$7.9 million, and cash proceeds of approximately \$0.3 million from the exercise of stock options and warrants, offset primarily by approximately \$1.1 million in payments on other long-term liabilities, notes payable and finance lease obligations and \$0.2 million in distributions.

#### ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

##### **Index to Consolidated Financial Statements**

	<b>Page</b>
<a href="#">Report of Independent Registered Public Accounting Firm Marcum LLP PCAOB ID:688</a>	<a href="#">58</a>
<a href="#">Consolidated Balance Sheets</a>	<a href="#">60</a>
<a href="#">Consolidated Statements of Operations and Comprehensive Loss</a>	<a href="#">61</a>
<a href="#">Consolidated Statements of Stockholders' Equity</a>	<a href="#">62</a>
<a href="#">Consolidated Statements of Cash Flows</a>	<a href="#">63</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">65</a>

## Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of Greenlane Holdings, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Greenlane Holdings, Inc. (the "Company") as of December 31, 2022 and 2021, the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for each of the two years in the period ended December 31, 2022, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2022, in conformity with accounting principles generally accepted in the United States of America.

### Restatement of Previously Issued Financial Statements

As discussed in Note 2 to the financial statements, the Company has restated its financial statements as of December 31, 2022 and for the year then ended to correct certain misstatements.

### Change in Accounting Principle – Outbound Shipping and Handling Costs

As discussed in Note 2 to the financial statements, the Company has elected to retrospectively change its method of accounting for outbound shipping and handling costs effective January 1, 2021.

### Basis for Opinion

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

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

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

/s/ Marcum LLP

Marcum LLP

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

Costa Mesa, CA

March 31, 2023 (except for the effects of the restatement discussed in Note 2, as to which the date is January 5, 2024)





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

	December 31, 2022	December 31, 2021
	(As restated)	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash	\$ 6,458	\$ 12,857
Restricted cash	5,718	—
Accounts receivable, net of allowance of \$ 4,826 and \$ 1,285 at December 31, 2022 and 2021, respectively	6,468	14,690
Inventories, net	40,643	66,982
Vendor deposits	6,296	18,475
Assets held for sale	—	75
Other current assets (Note 8)	11,120	11,658
Total current assets	76,703	124,737
Property and equipment, net	3,962	20,851
Intangible assets, net	—	84,710
Goodwill	—	41,860
Operating lease right-of-use assets	3,442	9,128
Other assets	5,578	4,541
Total assets	\$ 89,685	\$ 285,827
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable	\$ 14,953	\$ 23,041
Accrued expenses and other current liabilities (Note 8)	11,882	25,128
Customer deposits	3,983	7,924
Current portion of notes payable, including \$ 0 and \$ 8,000 owed to related party at December 31, 2022 and 2021, respectively	3,185	11,615
Current portion of operating leases	1,528	3,091
Current portion of finance leases	128	169
Total current liabilities	35,659	70,968
Notes payable, less current portion and debt issuance costs, net	13,040	10,607
Operating leases, less current portion	1,887	6,142
Finance leases, less current portion	29	72
Other liabilities	79	1,674
Total long-term liabilities	15,035	18,495
Total liabilities	50,694	89,463
Commitments and contingencies (Note 7)		
<b>STOCKHOLDERS' EQUITY</b>		
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, and 15,985 shares issued and outstanding as of December 31, 2022; 600,000 shares authorized, 4,260 shares issued and outstanding as of December 31, 2021*	152	43
Class B common stock, \$0.0001 par value per share, 30,000 shares authorized, and 0 shares issued and outstanding as of December 31, 2022; 30,000 shares authorized, and 1,087 shares issued and outstanding as of December 31, 2021*	—	—
Class C Common stock, \$0.0001 par value per share, no shares authorized as of December 31, 2022; 0 shares authorized, and 0 shares issued and outstanding as of December 31, 2021	—	—
Additional paid-in capital*	263,880	229,705
Accumulated deficit	(225,114)	(55,544)
Accumulated other comprehensive income	55	324
Total stockholders' equity attributable to Greenlane Holdings, Inc.	38,973	174,528
Non-controlling interest	18	21,836
Total stockholders' equity	38,991	196,364
Total liabilities and stockholders' equity	\$ 89,685	\$ 285,827

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

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

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

	For the year ended December 31,	
	2022	2021
	(As restated)	
Net sales	\$ 137,085	\$ 166,060
Cost of sales	112,102	132,207
Gross profit	<u>24,983</u>	<u>33,853</u>
Operating expenses:		
Salaries, benefits and payroll taxes	31,290	34,012
General and administrative	41,000	47,874
Goodwill and indefinite-lived intangibles impairment charge	71,360	—
Definite-lived intangibles impairment charge	50,694	—
Property and equipment impairment charge	7,336	—
Depreciation and amortization	7,405	4,689
Total operating expenses	<u>209,085</u>	<u>86,575</u>
Loss from operations	<u>(184,102)</u>	<u>(52,722)</u>
Other income (expense), net:		
Interest expense	(2,450)	(574)
Employee retention credits	4,854	—
Other expense, net	(541)	(117)
Total other income (expense), net	<u>1,863</u>	<u>(691)</u>
Loss before income taxes	(182,239)	(53,413)
(Benefit from) provision for income taxes	(13)	10
Net loss	<u>(182,226)</u>	<u>(53,423)</u>
Less: Net loss attributable to non-controlling interest	(12,717)	(22,840)
Net loss attributable to Greenlane Holdings, Inc.	<u>\$ (169,509)</u>	<u>\$ (30,583)</u>
Net loss attributable to Class A common stock per share - basic and diluted (Note 9)*	\$ (22.51)	\$ (15.85)
Weighted-average shares of Class A common stock outstanding - basic and diluted (Note 9)*	7,531	1,930
Other comprehensive income (loss):		
Foreign currency translation adjustments	(211)	115
Unrealized gain (loss) on derivative instrument	26	376
Comprehensive loss	<u>(182,411)</u>	<u>(52,932)</u>
Less: Comprehensive loss attributable to non-controlling interest	(12,633)	(22,644)
Comprehensive loss attributable to Greenlane Holdings, Inc.	<u>\$ (169,778)</u>	<u>\$ (30,288)</u>

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

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

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

	Class A Common Stock		Class B Common Stock		Class C Common Stock		Additional Paid-In Capital*	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Non- Controlling Interest	Total Stockholders' Equity
	Shares*	Amount*	Shares*	Amount*	Shares	Amount					
Balance December 31, 2020	666	\$ 7	175	\$ —	76,039	\$ 8	\$ 39,869	\$ (24,848)	\$ 29	\$ 54,192	\$ 69,257
Net loss	—	—	—	—	—	—	—	(30,583)	—	(22,840)	(53,423)
Equity-based compensation	9	—	—	—	—	—	3,131	—	—	2,543	5,674
Exchanges of noncontrolling interest for Class A common stock	354	4	(260)	—	(5,738)	(1)	12,244	—	—	(12,247)	—
Exercise of Class A common stock options and warrants	301	3	—	—	—	—	304	—	—	—	307
Conversion of Class C common stock	—	—	1,172	—	(70,301)	(7)	7	—	—	—	—
Issuance of Class A common stock and pre-funded warrants, net of costs	2,939	29	—	—	—	—	174,574	—	—	—	174,603
Member distribution	—	—	—	—	—	—	—	(200)	—	—	(200)
Cancellation of Class B common stock due to forfeitures	—	—	—	—	—	—	8	—	—	(8)	—
Other comprehensive income	—	—	—	—	—	—	—	—	295	196	491
Other	(9)	—	—	—	—	—	(432)	87	—	—	(345)
Balance December 31, 2021	4,260	43	1,087	—	—	—	229,705	(55,544)	324	21,836	196,364
Net loss (As restated)	—	—	—	—	—	—	—	(169,509)	—	(12,717)	(182,226)
Equity-based compensation	109	(2)	—	—	—	—	1,413	—	—	259	1,670
Issuance of Class A shares, net of costs - ATM Program	853	9	—	—	—	—	9,016	—	—	—	9,025
Issuance of Class A shares - contingent consideration	191	2	—	—	—	—	3,484	—	—	—	3,486
Issuance of Class A shares, net of costs - June 2022 Offering	585	6	—	—	—	—	5,034	—	—	—	5,040
Issuance of Class A shares, net of costs - October 2022 Offering	8,333	84	—	—	—	—	6,926	—	—	—	7,010
Issuance of Class A shares - Amended Eyce APA (Note 3)	72	1	—	—	—	—	656	—	—	—	657
Issuance of Class A common stock and pre-funded warrants, net of costs	495	—	—	—	—	—	—	—	—	—	—
Reclassification adjustment for gain included in net loss (Note 4)	—	—	—	—	—	—	—	—	(332)	—	(332)
VIBES disposition / deconsolidation (Note 3)	—	—	—	—	—	—	—	—	—	(1,789)	(1,789)
Exchanges of noncontrolling interest for Class A common stock (As restated)	1,087	9	(1,087)	—	—	—	7,646	—	—	(7,655)	—
Other comprehensive income	—	—	—	—	—	—	—	—	63	84	147
Other	—	—	—	—	—	—	—	(61)	—	—	(61)
<b>Balance Balance December 31, 2022 (As restated)</b>	<b>15,985</b>	<b>\$ 152</b>	<b>—</b>	<b>\$ —</b>	<b>—</b>	<b>\$ —</b>	<b>\$ 263,880</b>	<b>\$ (225,114)</b>	<b>\$ 55</b>	<b>\$ 18</b>	<b>\$ 38,991</b>

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

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

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

	For the year ended December 31	
	2022	2021
<b>Cash flows from operating activities:</b>		
Net loss (including amounts attributable to non-controlling interest) (As restated)	\$ (182,226)	\$ (53,423)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization (As restated)	7,405	4,689
Equity-based compensation expense	2,298	5,715
Goodwill and indefinite-lived intangibles impairment charge	71,360	—
Definite-lived intangibles impairment charge (As restated)	50,694	—
Property and equipment impairment charge (As restated)	7,336	—
Change in fair value of contingent consideration	509	189
Write-off of Eyce 2022 Contingent Payment in conjunction with the Amended Eyce APA	(267)	—
Change in provision for doubtful accounts	3,311	236
Gain related to indemnification asset	(2,018)	(1,692)
(Gain) loss on disposal of fixed assets	1,398	109
(Gain) loss on disposal of held-for-sale assets	(705)	97
Gain related to VIBES disposition / deconsolidation (Note 3)	(2,062)	—
Realized and unrealized loss on equity investments	1,214	171
Realized (gain) loss on interest rate swap contract (Note 4)	(408)	—
Amortization of deferred financing costs and debt discount	644	23
Other	(124)	63
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Decrease (increase) in accounts receivable	4,910	(1,393)
Decrease (increase) in inventories	26,345	5,730
Decrease (increase) in vendor deposits	7,899	(43)
Decrease (increase) in other current assets	(2,595)	9,087
(Decrease) increase in accounts payable	(6,459)	(1,301)
(Decrease) Increase in accrued expenses and other liabilities	(10,944)	(6,808)
(Decrease) increase in customer deposits	(3,941)	1,221
<b>Net cash used in operating activities</b>	<b>(26,426)</b>	<b>(37,330)</b>
<b>Cash flows from investing activities:</b>		
Purchase consideration paid for acquisitions, net of cash acquired	—	(15,646)
Proceeds from VIBES disposition (Note 3)	4,567	—
Purchases of property and equipment, net	(2,784)	(4,400)
Proceeds from sale of assets held for sale	9,593	675
Proceeds from sale of equity investments	649	—
Purchase of intangible assets, net	—	(320)
<b>Net cash provided by (used in) investing activities</b>	<b>12,025</b>	<b>(19,691)</b>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of Class A common stock, net of costs	21,075	32,643
Proceeds from exercise of stock options and warrants	—	307
Proceeds from issuance of note payable to related party, net	—	7,868
Proceeds from Asset-Based Loan	14,550	—
Debt issuance costs	(1,472)	(220)
Payments on Eyce and DaVinci promissory notes	(3,407)	(908)
Payments on Real Estate Note	(7,958)	(167)
Repayment of Bridge Loan	(8,000)	—
Proceeds from termination of interest rate swap	145	—
Purchase consideration paid for Eyce LLC acquisition	(875)	—
Member distributions	—	(200)
Other	(128)	(360)
<b>Net cash provided by financing activities</b>	<b>13,930</b>	<b>38,963</b>
Effects of exchange rate changes on cash	(210)	480
Net (decrease) in cash and restricted cash	(681)	(17,578)
Cash and restricted cash, as of beginning of the period	12,857	30,435
<b>Cash and restricted cash, as of end of the period</b>	<b>\$ 12,176</b>	<b>\$ 12,857</b>

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

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

**Reconciliation of cash and restricted cash to consolidated balance sheets**

	<b>For the year ended December 31</b>	
	<b>2022</b>	<b>2021</b>
<b>Beginning of the period</b>		
Cash	\$ 12,857	\$ 30,435
Restricted cash	—	—
Total cash and restricted cash, beginning of period	<u>\$ 12,857</u>	<u>\$ 30,435</u>
<b>End of the period</b>		
Cash	\$ 6,458	\$ 12,857
Restricted cash	5,718	—
Total cash and restricted cash, end of period	<u>\$ 12,176</u>	<u>\$ 12,857</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid during the period for interest	\$ 2,251	\$ 574
Cash paid during the period for income taxes	\$ 76	\$ 39
Cash paid for amounts included in the measurement of lease liabilities	\$ 2,659	\$ 1,978
Lease liabilities arising from obtaining finance lease assets	\$ —	\$ 119
<b>Non-cash investing and financing activities:</b>		
Issuance of Class A common stock for business acquisitions	\$ 3,486	\$ 141,960
Non-cash purchases of property and equipment	\$ 909	\$ 1,659
Issuance of promissory notes for Eyce and DaVinci business acquisitions	\$ —	\$ 7,500
Decrease in non-controlling interest as a result of exchanges for Class A common stock	\$ (7,655)	\$ (12,247)
Decrease in non-controlling interest as a result of VIBES disposition	\$ (1,789)	\$ —
Unpaid contingent purchase consideration	\$ —	\$ 6,857

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

**GREENLANE HOLDINGS, INC.**  
**NOTES TO 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 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. As such, the KushCo financial information included in our consolidated financial statements for the year ended December 31, 2021 is for the period commencing on August 31, 2021 (the date of the closing of the merger) through December 31, 2021. Also, KushCo financial information is included in our consolidated financial statements for the year ended December 31, 2022. Immediately following the merger with KushCo, stockholders that held Class A common stock prior to the completion of the merger owned 51.9% and former KushCo stockholders owned 48.1% of the equity of the combined company on a fully diluted basis. 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. For further information about the merger with KushCo, see "Note 3 - Business Acquisitions."

We merchandise premium cannabis accessories, child-resistant packaging, specialty vaporization solutions and lifestyle products in the United States, Canada and Europe, serving a diverse and expansive customer base with thousands of retail locations, including licensed cannabis dispensaries, smoke shops, and specialty retailers. We distribute to multi-state operators ("MSOs"), licensed producers ("LPs"), other retailers and brands through wholesale operations under our Industrial Goods business segment, and to consumers through both wholesale operations as well as e-commerce activities and our retail stores under our Consumer Goods business segment.

Our corporate structure is commonly referred to as an "Up-C" structure. The Up-C structure allows the members of 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 the members 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 members with potential liquidity that holders of non-publicly traded limited liability companies are not typically afforded.

In connection with our initial public offering, 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 members 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 audited consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") and with the instructions to Form 10-K and Article 8 of Regulation S-X.

### **Principles of Consolidation**

Our 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.

### **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 "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 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 Reverse Stock Split.

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

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

### **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 below.

We have an effective shelf registration statement on Form S-3 (the "Shelf Registration Statement") and may opportunistically conduct securities offerings from time to time in order to meet our liquidity needs. 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 described 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 twelve 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 offered \$2.2 million in securities pursuant to Instruction I.B.6 in the twelve calendar months preceding the date of filing of this Annual Report on Form 10-K. 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 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 885,000 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 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 \$5.0 million. On February 9, 2023, we entered into Amendment No. 2 to the Loan Agreement, in which we agreed to, among other things, voluntarily prepay approximately \$6.6 million (inclusive of early termination fees and expenses) under the terms provided for under the Loan Agreement and the lenders under the Loan Agreement agreed to release \$5.7 million in funds held in a blocked account pursuant to the terms of the Loan Agreement.

On 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, 1,377,780 October 2022 Pre-Funded Warrants and 16,666,670 October 2022 Standard Warrants. The October 2022 Units were offered pursuant to a Registration Statement on Form S-1. 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 \$0.0 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 Annual Report on Form 10-K.

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 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.

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. We are in the process of divesting the packaging product line, which is expected to provide liquidity and allow for ongoing substantial cost reductions. 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 this Annual Report on Form 10-K/A 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 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. Actual results could differ materially from those estimates.

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a global pandemic. We expect uncertainties around our key accounting estimates to continue to evolve depending on the duration and degree of impact associated with the COVID-19 pandemic, including the possible resurgence of new strains. Our estimates may change as new events occur and additional information emerges, and such changes are recognized or disclosed in our consolidated financial statements.

## Voluntary Change in Accounting Principle

During the first quarter of 2022, we made a voluntary change in accounting principle to classify outbound shipping and handling costs associated with the distribution of products to our customers as a component of "general and administrative" costs within our consolidated statements of operations and comprehensive loss. These costs were previously recorded as a component of "cost of sales" within our consolidated statements of operations and comprehensive loss. We made the voluntary change in accounting principle because we believe the classification of outbound shipping and handling costs within "general and administrative" costs better reflects the selling effort and enhances the comparability of our financial statements with many of our industry peers. In accordance with U.S. GAAP, the change has been reflected in the consolidated statements of operations and comprehensive loss through retrospective application as follows:

(in thousands)	For the year ended December 31, 2021		
	Prior to Change	Effect of Change	As Adjusted
Cost of sales	\$ 138,381	\$ (6,174)	\$ 132,207
Gross profit	\$ 27,679	\$ 6,174	\$ 33,853
General and administrative	\$ 41,700	\$ 6,174	\$ 47,874
Total operating expenses	\$ 80,401	\$ 6,174	\$ 86,575

## Segment Reporting

We manage our global business operations through our operating and reportable business segments. As of December 31, 2022, 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, manage our business, make resource allocation and operating decisions, and evaluate operating performance. See "Note 12—Segment Reporting."

## Business Combinations

Our business combinations are accounted for under the acquisition method of accounting in accordance with ASC Topic 805, *Business Combinations* ("ASC 805"). Under the acquisition method, we recognize 100% of the assets we acquire and liabilities we assume, regardless of the percentage we own, at their estimated fair values as of the date of acquisition. Any excess of the purchase price over the fair value of the net assets and other identifiable intangible assets we acquire is recorded as goodwill. To the extent the fair value of the net assets we acquire, including other identifiable assets, exceeds the purchase price, a bargain purchase gain is recognized. The assets we acquire, and liabilities we assume from contingencies, are recognized at fair value if we can readily determine the fair value during the measurement period. The operating results of businesses we acquire are included in our consolidated statement of operations from the date of acquisition. Acquisition-related costs are expensed as incurred. See "Note 3—Business Acquisitions."

## Equity-Based Compensation

We account for equity-based compensation grants of equity awards to employees in accordance with ASC Topic 718, *Compensation — Stock Compensation*. This standard requires us to measure compensation expense based on the estimated fair value of share-based awards on the grant date and recognize as expense over the requisite service period, which is generally the vesting period. We estimate the fair value of stock options using the Black-Scholes model on the grant date. The Black-Scholes model requires us to use several variables to estimate the grant-date fair value of our equity-based compensation awards including expected term, expected volatility and risk-free interest rates. Our equity-based compensation costs are recognized using a graded vesting schedule. For liability-classified awards, we record fair value adjustments up to and including the settlement date. Changes in the fair value of our equity-based compensation liability that occur during the requisite service period are recognized as compensation cost over the vesting period. Changes in the fair value of the equity-based compensation liability that occur after the end of the requisite service period but before settlement, are recognized as compensation cost of the period in which the change occurs. We account for forfeitures as they occur. See “Note 10—Compensation Plans.”

## Loss Contingencies

Certain conditions may exist which may result in a loss to us, but which will only be resolved when one or more future events occur or fail to occur. Management assesses such contingent liabilities and such assessment inherently involves an exercise of judgment. In assessing loss contingencies related to legal proceedings that are pending against us, or unasserted claims that may result in such proceedings, we evaluate the perceived merits of any legal proceedings or unasserted claims as well as the perceived merits of the amount of relief sought or expected to be sought therein.

If the assessment of a contingency indicates that it is probable that a material loss has been incurred and the amount of the liability is estimable, the liability would be accrued in our consolidated financial statements. If the assessment indicates that a potentially material loss contingency is not probable but is reasonably possible, or is probable but cannot be estimated, the nature of the contingent liability, together with an estimate of the range of possible loss, if determinable and material, would be disclosed.

Loss contingencies considered remote are generally not disclosed. Unasserted claims that are not considered probable of being asserted and those for which an unfavorable outcome is not reasonably possible have not been disclosed.

## Fair Value Measurements

We apply the provisions of ASC Topic 820, *Fair Value Measurements*, which defines fair value, establishes a framework for its measurement and expands disclosures about fair value measurements. Fair value is defined as the exchange price we would receive for an asset or an exit price we would pay to transfer a liability in the principal, or most advantageous, market for our asset or liability in an orderly transaction with a market participant on the measurement date. We determine the fair market values of our financial instruments based on the fair value hierarchy, which requires us to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The following three levels of inputs may be used to measure fair value:

- Level 1 Observable inputs such as unadjusted, quoted prices in active markets for identical assets or liabilities at the measurement date.
- Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The carrying amounts of our financial instruments, including cash, accounts receivable, accounts payable, accrued expenses and short-term debt, are carried at historical cost basis, which approximates their fair values because of their short-term nature. The fair value of our long-term debt is the estimated amount we would have to pay to repurchase the debt, inclusive of any premium or discount attributable to the difference between the stated interest rate and market rate of interest at each balance sheet date. As of December 31, 2022 and 2021, the carrying amount of our long-term debt approximated its fair value. On a recurring basis, we measure and record contingent consideration using fair value measurements in the accompanying consolidated financial statements. See “Note 4—Fair Value of Financial Instruments.”

We also own equity securities of private entities, which do not have readily determinable fair values. We elected to measure these equity securities at cost minus impairment, if any. At each reporting period, we make a qualitative assessment considering impairment indicators to evaluate whether our investment is impaired. The equity securities are adjusted to fair value when an observable price change can be identified. See “Note 4—Fair Value of Financial Instruments.”

## **Cash**

For purposes of reporting cash flows, we consider cash on hand, checking accounts, and savings accounts to be cash. We also consider all highly-liquid investments with original maturities of three months or less from the date of purchase to be cash equivalents. We place our cash with high credit quality financial institutions, which provide insurance through the Federal Deposit Insurance Company. At times, the balance in our accounts may exceed federally insured limits. We perform periodic evaluations of the relative credit standing of these institutions and do not expect any losses related to such concentrations. As of December 31, 2022, and 2021, approximately \$0.8 million and \$0.7 million, respectively, of our cash balances were in foreign bank accounts and uninsured. As of December 31, 2022 and 2021, we had no cash equivalents.

## **Restricted Cash**

Restricted cash represents principally cash reserves that are maintained pursuant to the governing agreement of the Asset-Based Loan discussed in "Note 6 - Debt."

## **Accounts Receivable, net**

Accounts receivable represent amounts due from customers for merchandise sales and are recorded when revenue is earned and are carried at the original invoiced amount less an allowance for any potentially uncollectible amounts. An account is considered past due when payment has not been rendered by its due date based upon the terms of the sale. Generally, accounts receivable are due ### after the billing date. We maintain an allowance for doubtful accounts to reserve for potentially uncollectible receivable amounts. In evaluating our ability to collect outstanding receivable balances, we consider various factors including the age of the balance, the creditworthiness of the customer, the customer's current financial condition, current economic conditions, and other factors that may affect our ability to collect from customers. We write off accounts as uncollectible on a case-by-case basis. We pledge accounts receivable as collateral for our long-term debt, see "Note 6—Debt."

## **Inventories, net**

Inventories consist of finished goods that we value at the lower of cost or net realizable value on a weighted average cost basis for the majority of the inventory. We established an allowance for slow-moving or obsolete inventory based upon assumptions about future demands and market conditions. At December 31, 2022 and 2021, the reserve for obsolescence was approximately \$21.4 million and \$21.3 million, respectively. We pledge inventory as collateral for our long-term debt, see "Note 6—Debt."

## **Vendor Deposits**

Vendor deposits represent prepayments we make to vendors for inventory purchases. A significant number of vendors require us to prepay for inventory purchases.

## **Customs Bonds**

The Company is required to obtain customs bonds to import goods into the United States to provide security for payment of duties, taxes and other fees incurred as a result of importing goods. Customs bonds are included in "Other current assets" in our consolidated balance sheets, see "Note 8 - Supplemental Financial Statement Information."

## **Assets Held for Sale**

We generally consider assets to be held for sale when (i) we commit to a plan to sell the assets, (ii) the assets are available for immediate sale in their present condition, (iii) we have initiated an active program to locate a buyer and other actions required to complete the plan to sell the assets, (iv) consummation of the planned sale transaction is probable, (v) the assets are being actively marketed for sale at a price that is reasonable in relation to their current fair value, (vi) the transaction is expected to qualify for recognition as a completed sale, within one year, and (vii) significant changes to or withdrawal of the plan is unlikely. Following the classification of any depreciable assets within a disposal group as held for sale, we discontinue depreciating the asset and write down the asset to the lower of carrying value or fair market value less cost to sell, if needed.

## **Property and Equipment, net**

We state property and equipment at cost or, if acquired through a business combination, fair value at the date of acquisition. We calculate depreciation and amortization using the straight-line method over the estimated useful lives of the assets, except for our leasehold improvements, which are depreciated over the shorter of their estimated useful lives or their related lease term. Upon the sale or retirement of assets, the cost and related accumulated depreciation are removed from our accounts and the resulting gain or loss is credited or charged to income. We expense costs for repairs and maintenance when incurred. Property and equipment includes assets recorded under finance leases, see "Note 5—Leases." We pledge property and equipment as collateral for our long-term debt, see "Note 6—Long Term Debt."

### **Impairment of Long-Lived Assets**

We assess the recoverability of the carrying amount of our long lived-assets, including property and equipment and finite-lived intangibles, whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group may not be recoverable. An impairment loss would be assessed when estimated undiscounted future cash flows from the operation and disposition of the asset group are less than the carrying amount of the asset group. Asset groups have identifiable cash flows and are largely independent of other asset groups. Measurement of an impairment loss is based on the excess of the carrying amount of the asset group over its fair value.

Changes in our future operations and business lines could affect the estimated undiscounted future cash flows from the operation of certain long-lived assets, such as customer relationships, and may give rise to impairment losses in future periods.

### **Intangible Assets, net**

Our intangible assets consist of domain names, intellectual property, distribution agreements, proprietary technology, trademarks and tradenames, customer relationships, and other rights. We amortize intangible assets with finite lives over their estimated useful lives on a straight-line basis. The straight-line method of amortization represents our best estimate of the distribution of the economic value of the identifiable intangible assets. We carry intangible assets with finite lives at cost less accumulated amortization. We assess the recoverability of finite-lived intangible assets in the same manner we do for property and equipment, as described above.

For our intangible assets not subject to amortization, we perform an annual impairment assessment during the fourth quarter of each year, or more frequently if indicators of potential impairment exist, to determine whether it is more likely than not that the carrying value of the asset may not be recoverable. If necessary, a quantitative impairment test is performed to compare the fair value of the indefinite-lived intangible asset with its carrying value. Impairments, if any, are based on the excess of the carrying amount over the fair value of the asset.

For additional information about intangible assets, see "Note 3—Business Acquisitions" and "Note 8—Supplemental Financial Statement Information."

### **Investments in Equity Securities**

Our investments 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. Investments in equity securities are included within "Other assets" in our consolidated balance sheets. See "Note 4—Fair Value of Financial Instruments."

### **Goodwill**

Goodwill represents the excess of the price we paid over the fair value of the net identifiable assets we acquired in business combinations. In accordance with ASC Topic 350 *Intangibles—Goodwill and Other*, we review goodwill for impairment at the reporting unit level annually or, when events or circumstances dictate, more frequently. The impairment review for goodwill consists of a qualitative assessment of whether it is more-likely-than-not that a reporting unit's fair value is less than its carrying amount, and if necessary, a quantitative goodwill impairment test. Factors to consider when performing the qualitative assessment include general economic conditions, limitations on accessing capital, changes in forecasted operating results and fluctuations in foreign exchange rates. If the qualitative assessment demonstrates that it is more-likely-than-not that the estimated fair value of the reporting unit exceeds its carrying value, it is not necessary to measure and record impairment loss. We may elect to bypass the qualitative assessment and proceed directly to the quantitative assessment, for any reporting unit, in any period. We can resume the qualitative assessment for any reporting unit in any subsequent period.

When we perform a quantitative impairment test, we use a combination of an income approach, a discounted cash flow valuation approach, and a market approach, using the guideline public company method, to determine the fair value of each reporting unit, and then compare the fair value to its carrying amount to determine the amount of impairment, if any. If a reporting unit's fair value is less than its carrying amount, we record an impairment charge based on that difference, up to the amount of goodwill allocated to that reporting unit.

The quantitative impairment test requires the application of a number of significant assumptions, including estimated projections of future revenue growth rates, EBITDA margins, terminal value growth rates, market multiples, discount rates, and foreign currency exchange rates. The projections of future cash flows used to assess the fair value of the reporting units are based on the internal operation plans reviewed by management. The market multiples are based on comparable public company

multiples. The discount rates are based on the risk-free rate of interest and estimated risk premiums for the reporting units at the time the impairment analysis is prepared. The projections of future exchange rates are based on the current exchange rates at the time the projections are prepared. If the fair value of the reporting unit exceeds its carrying value, no further analysis or write-down of goodwill is required. If the fair value of the reporting unit is less than the carrying value of its net assets, the implied fair value of the reporting unit is allocated to all its underlying assets and liabilities, including both recognized and unrecognized tangible and intangible assets, based on their fair value. If necessary, goodwill is then written down to its implied fair value.

For additional information about goodwill, see "Note 3—Business Acquisitions" and "Note 8—Supplemental Financial Statement Information."

#### **Vendor Incentives and Rebates**

Sales incentives we receive in the form of payments from vendors solely to reimburse us for acting as the vendors' agent in redeeming a sales incentive that is between our vendor and our customers and end consumers are included in net sales in the consolidated statements of operations and comprehensive loss.

We also have agreements with certain vendors to receive volume rebates which are dependent upon reaching minimum purchase thresholds. When volume rebates can be reasonably estimated and it is probable that minimum purchase thresholds will be met, we record a portion of the rebate when or as we make progress towards the purchase threshold. Amounts received from vendors relating to volume rebates are considered a reduction of the carrying value of our inventory and, therefore, such amounts are ultimately recorded as a reduction of cost of goods sold in the consolidated statements of operations and comprehensive loss.

#### **Foreign Currency Translation**

Our consolidated financial statements are presented in United States (U.S.) dollars. The functional currency of one of the Operating Company's wholly-owned, Canada-based, subsidiaries is the Canadian dollar. The functional currency of the Operating Company's wholly-owned, Netherlands-based subsidiary is the Euro. The assets and liabilities of these subsidiaries are translated into U.S. dollars at current exchange rate at each balance sheet date for assets and liabilities and an appropriate average exchange rate for each applicable period within our consolidated statements of operations and comprehensive loss. Capital accounts are translated at their historical exchange rates when the capital transactions occurred. The foreign currency translation adjustments are included in accumulated other comprehensive loss, a separate component of stockholders' deficit in our consolidated balance sheets. Other exchange gains and losses are reported within our consolidated statements of operations and comprehensive loss.

#### **Comprehensive (Loss) Income**

Comprehensive (loss) income includes net (loss) income as currently reported by us, adjusted for other comprehensive items. Other comprehensive items consist of foreign currency translation gains and losses and unrealized gains and losses on derivative financial instruments that qualify as hedges.

#### **Advertising**

We expense advertising costs as incurred and include them in general and administrative expenses in our consolidated statements of operations and comprehensive loss. Advertising costs were approximately \$2.8 million and \$4.2 million for the years ended December 31, 2022 and 2021, respectively.

#### **Income Taxes**

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

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

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

operations. If we determine we would be able to realize our deferred tax assets for which a valuation allowance had been recorded, then we would adjust the deferred tax asset valuation allowance, which would reduce our provision for income taxes.

We evaluate the tax positions taken on income tax returns that remain open and positions expected to be taken on the current year tax returns to identify uncertain tax positions. Unrecognized tax benefits on uncertain tax positions are recorded on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the largest amount of tax benefit that is more than 50 percent likely to be realized is recognized. Interest and penalties related to unrecognized tax benefits are recorded in income tax benefit. We have no uncertain tax positions that qualify for inclusion in our consolidated financial statements. See “Note 11—Income Taxes.”

#### **Tax Receivable Agreement (TRA)**

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

We compute annual tax benefits 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.

We periodically evaluate the realizability of the deferred tax assets resulting from the exchange of Common Units for our Class A common stock. If the deferred tax assets are determined to be realizable, we then assess whether payment of amounts under the TRA have become probable. If so, we record a TRA liability equal to 85% of such deferred tax assets. In subsequent periods, we assess the realizability of all of deferred tax assets subject to the TRA. If we determine that a deferred tax asset with a valuation allowance is realizable in a subsequent period, the related valuation allowance will be released and consideration of a corresponding TRA liability will be assessed. The realizability of deferred tax assets, including those subject to the TRA, is dependent upon the generation of future taxable income during the periods in which those deferred tax assets become deductible and consideration of prudent and feasible tax-planning strategies.

The measurement of the TRA is accounted for as a contingent liability. Therefore, once we determine that a payment to a member of the Operating Company has become probable and can be estimated, the estimated payment will be accrued. See “Note 11—Income Taxes.”

#### **Revenue Recognition**

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

We generate revenue primarily from the sale of finished products to customers, whereby each product unit represents a single performance obligation. We recognize revenue from product sales when the customer has obtained control of the products, which is either at point of sale or delivery to the customer, depending upon the specific terms and conditions of the arrangement, or at the point of sale for our retail store sales. We provide no warranty on products sold. Product warranty is provided by the manufacturers. For certain product offerings such as child-resistant packaging, closed-system vaporization solutions and custom-branded retail products, we may receive a deposit from the customer (generally 25% - 50% of the total order cost, but the amount can vary by customer contract) when an order is placed by a customer. We typically complete these orders within one to six months from the date of order, depending on the complexity of the customization and the size of the order, but the completion timeline can vary by product type and terms of sales with each customer. See “Note 8—Supplemental Financial Statement Information” for a summary of changes to our customer deposits liability balance during the years ended December 31, 2022 and 2021.

We estimate product returns based on historical experience and record them as a refund liability that reduces the net sales for the period. We analyze actual historical returns, current economic trends and changes in order volume when evaluating the adequacy of our sales returns allowance in any reporting period. Our liability for returns, which is included within “Accrued expenses and other current liabilities” in our consolidated balance sheets, was approximately \$0.3 million and \$1.0 million as of December 31, 2022 and 2021, respectively.

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

One customer represented approximately 22% of our net sales for the year ended December 31, 2022. No customer represented more than 10% of our net sales for the year ended December 31, 2021. As of December 31, 2022, the Company has a concentration of credit risk with its accounts receivable balance as three customers represented approximately 31%, 17% and 15% of accounts receivable, respectively. As of December 31, 2021, the Company has a concentration of credit risk with its accounts receivable balance as two customers represented approximately 13% and 11% 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 and \$2.5 million relating to this matter within "Accrued expenses and other current liabilities" in our consolidated balance sheet as of December 31, 2022 and 2021, respectively.

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 year ended December 31, 2022 and 2021, we recognized a gain of approximately \$2.0 million and \$1.7 million, respectively, within "general and administrative expenses" in our 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.

Management intends to pursue recovery of all additional losses from the sellers to the full extent of the indemnification provisions of the purchase and sale agreement, however, the collectability of such additional indemnification amounts may be subject to litigation and may be affected by the credit risk of indemnifying parties, and are therefore subject to significant uncertainties as to the amount and timing of recovery.

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.

#### **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. See "Note 9—Stockholders' Equity - Net Loss Per Share."

#### **Recently Issued Accounting Guidance Not Yet Adopted**

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 is 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. Early adoption is

permitted. We do not believe the adoption of this new guidance will have a material impact on our consolidated financial statements and disclosures.

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 is 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 do not believe the adoption of this new guidance will have a material impact on our consolidated financial statements and disclosures.

#### **Restatement of Previously Issued Financial Statements**

As previously disclosed in the Company's Current Report on Form 8-K filed with the SEC on November 15, 2023, on November 10, 2023, the Audit Committee of the Board of Directors (the "Audit Committee") of the Company, after consultation with management and discussions with Marcum LLP, the Company's independent registered public accounting firm for the fiscal year ended December 31, 2022, concluded that the sequence it used in applying the guidance in ASC 360-10-35 and ASC-350-10 was done out of order in determining whether an impairment of its definite-lived intangible assets existed as of September 30, 2022. Under the guidance provided by ASC 360-10-35, the carrying amounts of any assets that are not within the scope of ASC 360-10, other than goodwill, should be adjusted for impairment, as necessary, prior to testing long-lived assets for impairment under ASC-350-10 and the carrying amount of assets within the scope of ASC 360-10 should be adjusted for impairment prior to testing goodwill for impairment under ASC 350-10.

Additionally, on January 2, 2024, the Audit Committee, after consultation with management and discussions with Marcum LLP, concluded that the that the Company's ERP system capitalized cost was impaired due to the system not being able to be sold separately from the business, and the current enterprise value of the business does not support the carrying value of the ERP system.

As a result, the carrying balance of definite-lived intangible assets and property and equipment was overstated in the Company's previously issued unaudited consolidated financial statements for the quarterly period ended September 30, 2022, which also impacted the audited consolidated financial statements for the annual period ended December 31, 2022, and the quarterly unaudited consolidated financial statements for the quarterly periods ended March 31, 2023 and June 30, 2023 (collectively, the "Affected Periods"), as well as the relevant portions of any communication or filings which describe or are based on such financial statements, and therefore these financial statements for the Affected Periods should no longer be relied upon and are to be restated.

Management prepared a quantitative and qualitative analysis of these errors in accordance with the U.S. SEC Staff's Accounting Bulletin Nos. 99 and 108, Materiality, and concluded the aggregate impact of the error is material to the Company's previously reported financial statements for the Affected Periods. As a result, the accompanying financial statements as of and for the year ended December 31, 2022 and related notes hereto, have been restated to correct these errors.

These changes are to non-cash items and do not change the Company's reported operating revenues or costs of goods sold, however, the Company determined that these changes have a material impact on the as-filed financial statements for the Affected Periods, and as a result, the restatement of the Affected Periods is required.

There was no impact to net cash flows related to operating, financing or investing activities for any of the Affected Periods.

A summary of the impact of the adjustments on the previously reported financial statements are included below. Note 14 discloses the impact of the adjustments on the Company's unaudited condensed consolidated financial statements for the interim periods within the year ended December 31, 2022.



**GREENLANE HOLDINGS, INC.**  
**CONSOLIDATED BALANCE SHEET**

<i>(in thousands, except par value per share amounts)</i>	December 31, 2022		
	As previously reported	Corrections (a)	As restated
<b>ASSETS</b>			
Property and equipment, net	\$ 11,062	\$ (7,100)	\$ 3,962
Intangible assets, net	\$ 49,268	\$ (49,268)	\$ —
Total assets	<u>\$ 146,053</u>	<u>\$ (56,368)</u>	<u>\$ 89,685</u>
<b>STOCKHOLDERS' EQUITY</b>			
Additional paid-in capital	\$ 266,516	\$ (2,636)	\$ 263,880
Accumulated deficit	\$ (171,365)	\$ (53,749)	\$ (225,114)
Total stockholders' equity attributable to Greenlane Holdings, Inc.	\$ 95,358	\$ (56,385)	\$ 38,973
Non-controlling interest	\$ 1	\$ 17	\$ 18
Total stockholders' equity	<u>\$ 95,359</u>	<u>\$ (56,368)</u>	<u>\$ 38,991</u>
Total liabilities and stockholders' equity	<u>\$ 146,053</u>	<u>\$ (56,368)</u>	<u>\$ 89,685</u>

**GREENLANE HOLDINGS, INC.**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS**

<i>(in thousands, except share and per share amounts)</i>	For the year ended December 31, 2022		
	As previously reported	Corrections (a)	As restated
Operating expenses:			
Definite-lived intangibles impairment charge	—	50,694	50,694
Property and equipment impairment charge	—	7,336	7,336
Depreciation and amortization	9,067	(1,662)	7,405
Total operating expenses	<u>152,717</u>	<u>56,368</u>	<u>209,085</u>
Loss from operations	<u>(127,734)</u>	<u>(56,368)</u>	<u>(184,102)</u>
Loss before income taxes	<u>(125,871)</u>	<u>(56,368)</u>	<u>(182,239)</u>
Net loss	<u>(125,858)</u>	<u>(56,368)</u>	<u>(182,226)</u>
Less: Net loss attributable to non-controlling interest	<u>(10,098)</u>	<u>(2,619)</u>	<u>(12,717)</u>
Net loss attributable to Greenlane Holdings, Inc.	<u>(115,760)</u>	<u>(53,749)</u>	<u>(169,509)</u>
Net loss attributable to Class A common stock per share - basic & diluted*	\$ (15.37)	\$ (7.14)	\$ (22.51)
Weighted-average shares of Class A common stock outstanding - basic & diluted*	7,531	—	7,531
Comprehensive loss	<u>(126,043)</u>	<u>(56,368)</u>	<u>(182,411)</u>
Less: Comprehensive loss attributable to non-controlling interest	<u>(10,014)</u>	<u>(2,619)</u>	<u>(12,633)</u>
Comprehensive loss attributable to Greenlane Holdings, Inc.	<u>\$ (116,029)</u>	<u>\$ (53,749)</u>	<u>\$ (169,778)</u>

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

**GREENLANE HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY**  
(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*					
<b>Balance As previously reported</b>									
Net loss	—	\$ —	—	\$ —	—	\$ (115,760)	\$ —	\$ (10,098)	\$ (125,858)
Exchanges of noncontrolling interest for Class A common stock	1,087	9	(1,087)	—	10,282	—	—	(10,291)	—
Balance Balance December 31, 2022	15,985	152	—	—	266,516	(171,365)	55	1	95,359
<b>Restatement impacts (a)</b>									
Net loss	—	—	—	—	—	(53,749)	—	(2,619)	(56,368)
Exchanges of noncontrolling interest for Class A common stock	—	—	—	—	(2,636)	—	—	2,636	—
Balance Balance December 31, 2022	—	—	—	—	(2,636)	(53,749)	—	17	(56,368)
<b>Balance As restated</b>									
Net loss (As restated)	—	—	—	—	—	(169,509)	—	(12,717)	(182,226)
Exchanges of noncontrolling interest for Class A common stock	1,087	9	(1,087)	—	7,646	—	—	(7,655)	—
Balance Balance December 31, 2022 (As restated)	15,985	\$ 152	—	\$ —	\$ 263,880	\$ (225,114)	\$ 55	\$ 18	\$ 38,991

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

**GREENLANE HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)	For the year ended December 31, 2022		
	As previously reported	Corrections (a)	As restated
<b>Cash flows from operating activities:</b>			
Net loss (including amounts attributable to non-controlling interest)	\$ (125,858)	\$ (56,368)	\$ (182,226)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	\$ 9,067	\$ (1,662)	\$ 7,405
Goodwill and indefinite-lived intangibles impairment charge	\$ 71,360	\$ —	\$ 71,360
Definite-lived intangibles impairment charge	\$ —	\$ 50,694	\$ 50,694
Property and equipment impairment charge	\$ —	\$ 7,336	\$ 7,336
<b>Net cash used in operating activities</b>	<b>\$ (26,426)</b>	<b>\$ —</b>	<b>\$ (26,426)</b>
<b>Cash flows from investing activities:</b>			
<b>Net cash provided by (used in) investing activities</b>	<b>\$ 12,025</b>	<b>\$ —</b>	<b>\$ 12,025</b>
<b>Cash flows from financing activities:</b>			
<b>Net cash provided by financing activities</b>	<b>\$ 13,930</b>	<b>\$ —</b>	<b>\$ 13,930</b>
Net (decrease) in cash and restricted cash	\$ (681)	\$ —	\$ (681)
Cash and restricted cash, as of beginning of the period	\$ 12,857	\$ —	\$ 12,857
<b>Cash and restricted cash, as of end of the period</b>	<b>\$ 12,176</b>	<b>\$ —</b>	<b>\$ 12,176</b>

(a) To reflect 1) the impairment charge to definite-lived intangibles and property and equipment, which occurred as of September 30, 2022, along with the allocation of the resulting additional net loss to non-controlling interest; and 2) the reversal of depreciation and amortization expense recognized during the fourth quarter of 2022.

**NOTE 3. BUSINESS ACQUISITIONS**

**Eyce**

On March 2, 2021, we acquired substantially all the assets of Eyce LLC ("Eyce"), a designer and manufacturer of silicone pipes, bubblers, rigs, and other smoking and vaporization-related accessories and merchandise. We acquired Eyce to take advantage of expected synergies, which include increased margins from the direct integration of one of our top-selling product

lines into our offerings of Greenlane Brand products (as defined below) and the enlistment of key talent in Eyce's founding owners.

We accounted for the Eyce acquisition as a business combination under the acquisition method under ASC Topic 805, *Business Combinations*. Eyce has been consolidated in our consolidated financial statements commencing on March 2, 2021, the date of acquisition. The purchase price for the Eyce acquisition was allocated based on estimates of the fair value of net assets acquired at the acquisition date, with the excess allocated to goodwill. The total purchase consideration for the Eyce acquisition consisted of the following:

<i>(in thousands)</i>	<b>Purchase Consideration</b>	
Cash	\$	2,403
Class A common stock		2,005
Promissory note		2,503
Contingent consideration – payable in cash		914
Contingent consideration – payable in Class A common stock		914
<b>Total purchase consideration</b>	<b>\$</b>	<b>8,739</b>

During the year ended December 31, 2021, we recognized approximately \$0.3 million in Eyce acquisition-related costs, which were included within "general and administrative" expenses in our consolidated statement of operations and comprehensive loss.

The Eyce contingent consideration arrangement required us to make contingent payments based on the achievement of certain revenue and EBITDA performance targets for the year ended December 31, 2021 (the "2021 Contingent Payment"), as well as the year ending December 31, 2022 (the "2022 Contingent Payment"), as set forth in the acquisition agreement.

We estimated the fair value of the contingent consideration by using a Monte Carlo simulation that included significant unobservable inputs such as the risk-free rate, risk-adjusted discount rate, the volatility of the underlying financial metrics and projected financial forecast of the acquired business over the earn-out period.

The 2021 Contingent Payment was earned as of December 31, 2021, and the related liability of \$1.8 million was included within "Accrued expenses and other current liabilities" on our consolidated balance sheet. As partial consideration for Eyce's attainment of the financial benchmarks related to the 2021 Contingent Payment, we issued 39,776 shares of our Class A common stock on January 14, 2022 to Eyce and certain of its affiliates. See "Note 4—Fair Value of Financial Instruments" for additional details related to the Eyce contingent consideration arrangement.

As a result of additional information obtained about facts and circumstances that existed as of the acquisition date, we calculated an adjustment to the purchase price related to the estimated fair value of contingent consideration issued, and recorded a measurement period adjustment during the second quarter of 2021. The following table summarizes the purchase price allocation and the estimated fair value of the net assets acquired at the date of acquisition.

<i>(in thousands)</i>	<b>Estimated Fair Value as of Acquisition Date (as previously reported)</b>	<b>Measurement Period Adjustments</b>	<b>Estimated Fair Value as of Acquisition Date (as adjusted)</b>
Inventory	\$ 92	\$ —	\$ 92
Developed technology	1,738	—	1,738
Trade name	1,294	—	1,294
Customer relationships	165	—	165
Goodwill	4,840	610	5,450
Total purchase consideration	<u>\$ 8,129</u>	<u>\$ 610</u>	<u>\$ 8,739</u>

Goodwill generated from the Eyce acquisition was primarily related to the value we placed on expected business synergies. For additional information about goodwill, see "Note 8—Supplemental Financial Statement Information.

#### **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. Specifically, we recorded a gain of approximately \$ 3 million, respectively, within "other income (expense), net" in our consolidated statement of operations and comprehensive income for the year ended December 31, 2022 to write-off the balance of the Eyce 2022 Contingent Payment. Also, we recorded approximately \$1.3 million in compensation expense related to the Amended 2022 Contingent Payment within "salaries, benefits and payroll taxes" in our consolidated statement of operations and comprehensive income for the year ended December 31, 2022.

#### **Merger with KushCo**

On August 31, 2021, we completed our previously announced merger with KushCo pursuant to the terms of the Merger Agreement dated as of March, 31, 2021. Greenlane's merger with KushCo created a leading ancillary cannabis products and services company. The combined company serves a broad range of customers, which includes many of the leading MSOs and LPs, the top smoke shops in the United States, and millions of consumers globally.

Pursuant to the Merger Agreement, Merger Sub Gotham 1, LLC, our wholly owned subsidiary ("Merger Sub 1"), merged with KushCo (the "Initial Surviving Corporation") ("Merger 1") and then the Initial Surviving Corporation was merged with and into Merger Sub Gotham 2, LLC, our wholly owned subsidiary ("Merger Sub 2"), with Merger Sub 2 as the surviving limited liability company and a wholly owned subsidiary of Greenlane ("Merger 2," and together with Merger 1, the "Mergers").

At the effective time of the Mergers, each KushCo stockholder received 0.3016 shares of Class A common stock (excluding the effect of the Reverse Stock Split), as determined pursuant to the exchange ratio formula set forth in the Merger Agreement (the "Exchange Ratio"), for each share of KushCo's common stock, \$0.001 par value per share ("KushCo common stock"), issued and outstanding immediately prior to the effective time of the Mergers, with cash paid for any fractional shares that a KushCo stockholder would have otherwise been entitled to receive. Immediately following the Mergers, stockholders that held Greenlane common stock prior to the completion of the Mergers owned 51.9% and former KushCo stockholders owned 48.1% of the equity of the combined company on a fully diluted basis.

Pursuant to the Merger Agreement, immediately prior to the consummation of the Mergers, 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 Mergers, and Greenlane adopted the A&R Charter, which eliminated Class C common stock as a class of Greenlane's capital stock.

#### *Treatment of KushCo Equity Awards*

At the effective time of the Mergers, options to purchase shares of KushCo common stock ("KushCo options") were treated as follows:

- Each KushCo option that was outstanding immediately prior to the Merger 1 effective time, whether or not then vested or exercisable (but after taking into account any acceleration or vesting as provided under the KushCo equity plan covering such option), was converted into an option to purchase, on the same terms and conditions that applied to such KushCo option immediately prior to the Merger 1 effective time, (A) that number of shares of Class A common stock, rounded down to the nearest whole share, determined by multiplying (1) the total number of KushCo shares subject to such KushCo option immediately prior to the Merger 1 effective time by (2) the Exchange Ratio, (B) at a per-share exercise price, rounded up to the nearest whole cent, determined by dividing (1) the exercise price per share covered by such KushCo option immediately prior to the Merger 1 effective time by (2) the Exchange Ratio;
- Greenlane assumed the sponsorship of the KushCo Holdings, Inc. 2016 Stock Incentive Plan covering such KushCo options (the "KushCo Equity Plan"), and all references to KushCo therein were deemed references to Greenlane and all references to shares of KushCo common stock therein were deemed references to Class A common stock; and
- Each KushCo restricted stock unit (a "KushCo RSU") that was then held and remained outstanding immediately prior to the Merger 1 effective time accelerated and became vested in full in accordance with the terms of the KushCo equity plan covering such KushCo RSUs and each such KushCo RSU was immediately settled and treated in the same manner as shares of KushCo common stock in the Mergers.

#### *Effect of Merger 1 on KushCo Warrants*

Additionally, each warrant to purchase one or more shares of KushCo common stock (a “KushCo Warrant”), whether exercisable or not, was converted into a warrant to purchase Class A common stock. Greenlane assumed each such KushCo Warrant in accordance with its terms (the “Assumed Warrants”). With respect to the Assumed Warrants: (i) the Assumed Warrants are exercisable solely for shares of Class A common stock; (ii) the number of shares of Class A common stock subject to such Assumed Warrants is equal to the number of shares of KushCo common stock subject to such Assumed Warrants as of immediately prior to the effective time of Merger 1 multiplied by the Exchange Ratio, rounded up to the nearest whole share; and (iii) the per share exercise price under each such Assumed Warrant was adjusted by dividing the per share exercise price under such Assumed Warrant by the Exchange Ratio and rounding up to the nearest cent.

*Estimated Purchase Consideration and Purchase Price Allocation*

We accounted for the KushCo acquisition as a business combination under the acquisition method under ASC Topic 805, *Business Combinations*. KushCo has been consolidated in our consolidated financial statements commencing on August 31, 2021, the date of acquisition.

We allocated the purchase price to the net identifiable tangible and intangible assets acquired and liabilities assumed based on their preliminary estimated fair values as of the date of acquisition. The excess of the purchase price over the estimated fair value of the net assets and liabilities was allocated to goodwill. We determined the preliminary estimated fair values after review and consideration of relevant information as of the acquisition date, including discounted cash flows, quoted market prices and estimates made by management. The fair values assigned to tangible and intangible assets acquired and liabilities assumed were based on management's estimates and assumptions.

The total estimated purchase consideration for the KushCo acquisition consisted of the following:

<i>(in thousands)</i>	<b>Purchase Consideration</b>
Class A common stock (1)	\$ 123,491
Estimated fair value of assumed warrants	8,423
Estimated fair value of replaced equity awards	4,759
Greenlane cash payments on behalf of KushCo (2)	12,183
<b>Total purchase consideration</b>	<b>\$ 148,856</b>

(1) Based on approximately 2.4 million shares of Greenlane Class A common stock issued, multiplied by the closing price per share of Greenlane Class A common stock on Nasdaq on August 31, 2021, the acquisition date, of \$50.8.

(2) Represents cash paid by Greenlane on the acquisition date to extinguish certain debt and other liabilities of KushCo, which were not legally assumed by Greenlane.

The following table summarizes the fair values of the assets acquired and liabilities assumed as of the acquisition date based on the preliminary purchase price allocation (in thousands):

<i>(in thousands)</i>	Estimated Fair Value as of Acquisition Date (as previously reported)	Measurement Period Adjustments	Estimated Fair Value as of Acquisition Date (as adjusted)
<b>Assets acquired</b>			
Cash	\$ 2,302	\$ —	\$ 2,302
Accounts receivable	7,110	—	7,110
Inventories	35,112	—	35,112
Vendor deposits	7,011	—	7,011
Other current assets	8,111	—	8,111
Property and equipment	6,200	—	6,200
Operating lease right-of-use assets	7,581	—	7,581
Other assets	2,896	—	2,896
Intangible assets – customer relationships	39,500	—	39,500
Intangible assets – trademarks	29,500	—	29,500
Intangible assets – proprietary design library	3,100	—	3,100
Goodwill	24,314	19	24,333
Total estimated assets acquired	172,737	19	172,756
<b>Liabilities assumed</b>			
Accounts payable	5,876	—	5,876
Accrued expenses and other current liabilities	6,496	19	6,515
Customer deposits	3,934	—	3,934
Operating lease liabilities	7,575	—	7,575
Total estimated liabilities assumed	23,881	19	23,900
<b>Total estimated purchase price and consideration transferred in the merger</b>	<b>\$ 148,856</b>	<b>\$ —</b>	<b>\$ 148,856</b>

Goodwill generated from the KushCo acquisition was primarily related to the value we placed on expected business synergies. For additional information about goodwill, see "Note 8—Supplemental Financial Statement Information.

During the year ended December 31, 2021, we recognized transaction costs of approximately \$7.8 million in connection with the Mergers, consisting primarily of advisory, legal, valuation and accounting fees, which were recorded in "general and administrative expenses" in the accompanying consolidated statement of operations and comprehensive loss.

#### DaVinci

On November 29, 2021, we acquired substantially all the assets of Organicix, LLC (d/b/a and hereinafter referred to as "DaVinci"), a leading developer and manufacturer of premium portable vaporizers. We acquired DaVinci to take advantage of expected synergies, which include increased margins and significant enhancement of our offerings of Greenlane Brands products (as defined below) the enlistment of key talent in DaVinci's founders.

We accounted for the DaVinci acquisition as a business combination under the acquisition method under ASC Topic 805, *Business Combinations*. DaVinci has been consolidated in our consolidated financial statements commencing on November 29, 2021, the date of acquisition.

We allocated the purchase price to the net identifiable tangible and intangible assets acquired and liabilities assumed based on their preliminary estimated fair values as of the date of acquisition. The excess of the purchase price over the estimated fair value of the net assets and liabilities was allocated to goodwill. We determined the preliminary estimated fair values after review and consideration of relevant information as of the acquisition date, including discounted cash flows, quoted market prices and estimated made by management. The fair values assigned to tangible and intangible assets acquired and liabilities assumed were based on management's estimates and assumptions.

The total purchase consideration for the DaVinci acquisition consisted of the following:

<i>(in thousands)</i>	<b>Purchase Consideration</b>	
Cash	\$	3,362
Class A common stock		3,282
Promissory note		5,000
2021 DaVinci Contingent Payment – payable in Class A common stock		2,610
Product Launch Contingent Payment – payable in cash		1,169
Product Launch Contingent Payment – payable in Class A common stock		1,062
<b>Total purchase consideration</b>	<b>\$</b>	<b>16,485</b>

During the year ended December 31, 2021, we recognized approximately \$0.3 million in DaVinci acquisition-related costs, which were included within “general and administrative” expenses in our consolidated statement of operations and comprehensive loss.

The DaVinci contingent consideration arrangement included: (1) the 2021 Contingent Payment, which was based on the achievement of certain financial benchmarks measured during the period January 1, 2021 and December 31, 2021, and was payable in shares of our Class A common stock, and (2) Product Launch Contingent Payments, which are payable in cash and shares of our Class A common stock. The 2021 DaVinci Contingent Payment was earned as of December 31, 2021, based upon which the we issued 151,515 shares of Class A Common Stock on February 25, 2022 to DaVinci and certain of its affiliates.

The estimated fair value of the 2021 DaVinci Contingent Payment as of the acquisition date reflected a discount for lack of marketability, as the Class A common stock issued to the sellers has a restriction period. We estimated the fair value of the Product Launch Contingent Payments using a form of the scenario-based method, which includes significant unobservable inputs such management’s identification of probability-weighted outcomes and a risk-adjusted discount rate over the earn-out period.

The following table summarizes the fair values of the assets acquired and liabilities assumed as of the acquisition date based on the preliminary purchase price allocation (in thousands):

<i>(in thousands)</i>	<b>Estimated Fair Value as of Acquisition Date</b>	
<b>Assets acquired</b>		
Accounts receivable	\$	94
Inventories		1,444
Vendor deposits		132
Property and equipment		112
Intangible assets – customer relationships		1,362
Intangible assets – tradenames		2,316
Intangible assets – developed technology		2,195
Goodwill		9,052
<b>Total estimated assets acquired</b>		<b>16,707</b>
<b>Liabilities assumed</b>		
Accounts payable		59
Accrued expenses and other current liabilities		123
Customer deposits		40
<b>Total estimated liabilities assumed</b>		<b>222</b>
<b>Total estimated purchase price and consideration transferred</b>	<b>\$</b>	<b>16,485</b>

Goodwill generated from the DaVinci acquisition was primarily related to the value we placed on expected business synergies. For additional information about goodwill, see "Note 8—Supplemental Financial Statement Information.

## Supplemental Unaudited Pro Forma Financial Information

The following table presents pro forma results for the year ended December 31, 2021 as if our acquisition of Eyce and DaVinci, along with the closing of the merger with KushCo, had occurred on January 1, 2020, and Eyce, DaVinci, and KushCo's results had been included in our consolidated results beginning on that date (in thousands):

	<b>For the year ended December 31, 2021</b>	
	<b>(unaudited)</b>	
Net sales	\$	248,691
Cost of sales		221,710
Gross profit		26,981
Net loss	\$	(102,685)

The pro forma amounts have been calculated after applying our accounting policies to the financial statements of Eyce and KushCo and adjusting the combined results of Greenlane, Eyce, DaVinci and KushCo (a) to remove Eyce and DaVinci product sales to us and to remove the cost incurred by us related to products purchased from Eyce and DaVinci prior to the acquisition, and (b) to reflect the increased amortization expense that would have been charged assuming intangible assets identified in the acquisitions of Eyce, DaVinci, and KushCo had been recorded on January 1, 2020.

The impact of the Eyce and DaVinci acquisition and the KushCo merger on the actual results reported by us in subsequent periods may differ significantly from that reflected in this pro forma information for a number of reasons, including but not limited to, non-achievement of the expected synergies from these combinations and changes in the regulatory environment. As a result, the pro forma information is not necessarily indicative of what our financial condition or results of operations would have been had the acquisitions been completed on the applicable date of this pro forma financial information. In addition, the pro forma financial information does not purport to project our future financial condition and results of operations.

### VIBES Sale

On July 19, 2022, Warehouse Goods entered into the Sale Agreement with Portofino to sell the Company's 50% stake in VIBES Holdings LLC for total consideration of \$4.6 million in cash. The transactions contemplated by the Sale Agreement were completed on July 19, 2022, immediately following the signing of the Sale Agreement. In conjunction with and as a result of the disposition of and deconsolidation of our interest in VIBES Holdings LLC, we recorded a gain of \$2.0 million for the year ended December 31, 2022, which is included as an offset in "general and administrative expenses" in our consolidated statements of operations and comprehensive loss, as well as a reduction to non-controlling interest on our consolidated balance sheet as of December 31, 2022 of \$1.8 million. In conjunction with the Sale Agreement, we returned inventory to VIBES with a carrying value of approximately \$2.4 million.

## NOTE 4. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

As of December 31, 2022, we had contingent consideration that is required to be measured at fair value on a recurring basis.

As of December 31, 2021, our equity securities that were required to be measured at fair value on a recurring basis consisted of investments in XS Financial Inc. and High Tide Inc. We had determined that our ownership did not provide us with significant influence over the operations of these entities. Accordingly, we accounted for our investment in these entities as equity securities, and we recorded changes in the fair value of these investments in "other income (expense), net" in our consolidated statements of operations and comprehensive loss. During the year ended 2022, we sold our interests in XS Financial Inc. and High Tide Inc. for total proceeds of approximately 0.6 million.

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



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

<b>Consolidated Balance Sheet Caption</b>		<b>Fair Value at December 31, 2021</b>			
		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<i>(in thousands)</i>					
Assets:					
Equity securities	Other assets	\$ 1,919	\$ —	\$ —	\$ 1,919
Total Assets		\$ 1,919	\$ —	\$ —	\$ 1,919
Liabilities:					
Interest rate swap contract	Other liabilities	\$ —	\$ 288	\$ —	\$ 288
Contingent consideration – current	Accrued expenses and other current liabilities	—	—	5,641	5,641
Contingent consideration – long-term	Other long-term liabilities	—	—	1,216	1,216
Total Liabilities		\$ —	\$ 288	\$ 6,857	\$ 7,145

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 years ended December 31, 2022 and 2021.

#### 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 year ended December 31, 2022, we recorded a gain of approximately \$0.1 million based on the change in fair value of the interest rate swap contract within "interest expense" in our consolidated statement of income and comprehensive loss. 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 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) for the year ended December 31, 2022 and 2021, respectively.

The unrealized loss on the derivative instrument prior to the discontinuation of hedge accounting was included within "Other comprehensive income (loss)" in our 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 year ended December 31, 2022 and 2021, respectively. 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. The estimate of the fair value of contingent consideration is determined by applying a risk-neutral framework using a Monte Carlo Simulation, which includes inputs not observable in the market, such as the risk-free rate, risk-adjusted discount rate, the volatility of the underlying financial metrics and projected financial forecast of the acquired business over the earn-out period, and therefore represents a Level 3 measurement. 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 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) for the years ended December 31, 2022 and 2021 is as follows:

(in thousands)

	<b>Contingent Consideration</b>
Balance at December 31, 2020	\$ —
Contingent consideration issued for Eyce acquisition	1,828
Contingent consideration issued for DaVinci acquisition	4,840
Loss from fair value adjustments included in results of operations	189
Balance at December 31, 2021	6,857
Eyce 2021 Contingent Payment settlement in Class A common stock	(875)
Eyce 2021 Contingent Payment settlement in cash	(875)
DaVinci 2021 Contingent Payment settlement in Class A common stock	(2,611)
Write-off of Eyce 2022 Contingent Payment in conjunction with the Amended Eyce APA	(267)
Loss from fair value adjustments included in results of operations	509
Balance at December 31, 2022	\$ 2,738

#### 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 security 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 years ended December 31, 2022 and 2021.

As of December 31, 2022 and 2021, the carrying value of our investment in equity securities without a readily determinable fair value was approximately \$3.5 million, respectively, included within "Other assets" in our consolidated balance sheets. The carrying value included a fair value adjustment of \$1.5 million based on an observable price change recognized during the year ended December 31, 2019.

#### NOTE 5. LEASES

##### Greenlane as a Lessee

As of December 31, 2022, we had facilities financed under operating leases consisting of warehouses, offices, and a retail store, with lease term expirations between 2023 and 2027. Lease terms are generally three to seven years for warehouses, office space and our retail store location. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

During the year ended December 31, 2022, we took steps to reduce our operational footprint and we continue to optimize our distribution network, transitioning to a more streamlined network with fewer, centrally-located, highly automated facilities. We successfully transferred, subleased or terminated our office leases for our Cypress, CA, Hermosa Beach, CA, France and China locations. We also successfully transferred, subleased or terminated our retail leases for our Amsterdam, Netherlands location, Barcelona, Spain, and Malibu, California locations.

On November 3, 2022, we entered into that certain Lease Termination Agreement, dated as of October 31, 2022 solely for reference purposes (the "Lease Termination Agreement"), by and between us and Warland Investments Company (the "Landlord"), which provided for the termination of our lease at 6261 Katella Avenue in Cypress, California (collectively, the "Lease Termination"). Pursuant to the terms of the Lease Termination Agreement, we agreed to pay a fee of approximately \$0.5 million as an early termination fee in consideration for the Landlord agreeing to terminate all of our remaining obligations under the Cypress lease. We expect the Lease Termination to result in approximately \$1.7 million in savings, although we can provide no assurances as to the total amount of savings ultimately realized from the Lease Termination.

The following table provides details of our future minimum lease payments under our operating lease liabilities recorded in our consolidated balance sheet as of December 31, 2022. The table below does not include commitments that are contingent on events or other factors that are currently uncertain or unknown.

<i>(in thousands)</i>	<b>Operating Leases</b>	
2023	\$	1,609
2024		914
2025		942
2026		77
2027		—
Thereafter		—
Total minimum lease payments		<u>3,542</u>
Less: imputed interest		127
Present value of minimum lease payments		<u>3,415</u>
Less: current portion		1,528
Long-term portion	\$	<u>1,887</u>

Rent expense under operating leases was approximately \$3.6 million and \$1.6 million for the years ended December 31, 2022 and 2021, respectively.

The following expenses related to our operating leases were included in “general and administrative expenses” within our consolidated statements of operations and comprehensive loss for the years ended December 31, 2022 and 2021:

<i>(in thousands)</i>	<b>For the year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
Operating lease cost	2,735	1,383
Variable lease cost	837	255
<b>Total lease cost</b>	<u>\$ 3,572</u>	<u>\$ 1,638</u>

The table below presents operating lease-related terms and discount rates as of December 31, 2022:

	<b>Operating Leases</b>
Weighted average remaining lease terms	2.5 years
Weighted average discount rate	2.2 %

#### **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:

<i>(in thousands)</i>	<b>Rental Income</b>	
2023	\$	386
2024 and thereafter		—
Total	\$	<u>386</u>

## NOTE 6. DEBT

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

<i>(in thousands)</i>	As of December 31,	
	2022	2021
Real Estate Note	\$ —	\$ 7,958
Bridge Loan	—	8,000
Line of Credit	15,000	—
DaVinci Promissory Note	2,538	5,000
Eyce Promissory Note	647	1,592
	<u>18,185</u>	<u>22,550</u>
Less unamortized debt issuance costs	(1,960)	(328)
Less current portion of debt	<u>(3,185)</u>	<u>(11,615)</u>
Debt, net, excluding operating leases	<u>\$ 13,040</u>	<u>\$ 10,607</u>

### 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, 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 the HQ Purchaser whereby 1095 Broken Sound agreed to sell a certain parcel of real estate including the our headquarters building to the HQ Purchaser for total proceeds of \$9.6 million in cash. On the Closing Date, the Company used a portion of the proceeds from the HQ 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 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 of 4.5% are 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 5.0% is due monthly, 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 Universal 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.

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 is located in a blocked account, which is classified as “restricted cash” on our consolidated balance sheet, and which will release 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 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. As of December 31, 2022, we were in compliance with the Asset-Based Loan covenants.

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, 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. 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.

#### Future Minimum Principal Payments

The following table summarizes future scheduled minimum principal payments of debt at December 2022. Future debt principal payments are presented based upon the stated maturity dates in the respective debt agreement.

<i>(in thousands)</i>	Year Ending December 31,					Total
	2023	2024	2025	2026	2027	
Real Estate Note	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —
Bridge Loan	—	—	—	—	—	—
Asset Based Line of Credit	—	1,250	13,750	—	—	15,000
DaVinci Promissory Note	2,538	—	—	—	—	2,538
Eyece Promissory Note	647	—	—	—	—	647
Total	\$ 3,185	\$ 1,250	\$ 13,750	\$ —	\$ —	\$ 18,185

#### 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 year ended December 31, 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

Certain balances herein reflect the restatements described in "Note 2 — Summary of Significant Accounting Policies - Restatement of Previously Issued Financial Statements."

### Other Current Assets

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

<i>(in thousands)</i>	As of December 31,	
	2022	2021
Other current assets:		
Employee retention credit (ERC) receivable	\$ 4,854	\$ —
VAT refund receivable (Note 2)	\$ 143	\$ 143
Prepaid expenses	1,293	2,726
Indemnification receivable, net	736	122
Customs bonds	1,378	4,550
Other	2,716	4,118
	<u>\$ 11,120</u>	<u>\$ 11,658</u>

### ERC Sale

As of December 31, 2022, we had recorded an 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 Employee Retention Credit ("ERC") program.

### Property and Equipment, Net

The following is a summary of our property and equipment, at costs less accumulated depreciation and amortization:

<i>(in thousands)</i>	Estimated useful life	As of December 31,	
		2022	2021
Furniture, equipment and software	3 - 7 years	\$ 7,492	\$ 8,478
Personal property	5 years	—	1,130
Leasehold improvements	Lesser of lease term or 5 years	104	1,562
Building	39 years	—	8,128
Land	—	—	691
Land improvements	15 years	—	601
Work in process	—	679	4,871
		<u>8,275</u>	<u>25,461</u>
Less: accumulated depreciation		<u>4,313</u>	<u>4,610</u>
Property and equipment, net		<u>\$ 3,962</u>	<u>\$ 20,851</u>

Depreciation expense for property and equipment for the years ended December 31, 2022 and 2021 was approximately \$3.3 million and \$2.1 million, respectively. The company reviewed property & equipment assets and determined the ERP system capitalized cost of \$7.3 million was impaired and recorded an impairment charge during the three months ended September 2022 as part of the restatement. The ERP system can not be sold separately from the business and the current enterprise value of the business does not support the carrying value of this asset.

#### Intangible Assets, Net

Identified intangible assets consisted of the following at the dates indicated below:

	As of December 31, 2022				
	(As restated)				
(in thousands)	Gross carrying amount	Accumulated amortization	Impairment Charge	Carrying value	Estimated useful life
Design libraries	\$ 8,710	\$ (1,010)	\$ (7,700)	\$ —	7-15 years
Trademarks and tradenames	6,915	(3,361)	(3,554)	—	5-15 years
Customer relationships	43,628	(4,666)	(38,962)	—	5-15 years
Other intangibles	753	(275)	(478)	—	5-15 years
Total finite-lived intangibles	60,006	(9,312)	(50,694)	—	
Trademarks	29,500	—	(29,500)	—	Indefinite
Total indefinite-lived intangibles	29,500	—	(29,500)	—	
Total intangible assets, net	\$ 89,506	\$ (9,312)	\$ (80,194)	\$ —	

	As of December 31, 2021				
(in thousands)	Gross carrying amount	Accumulated amortization	Impairment Charge	Carrying value	Estimated useful life
Design libraries	\$ 8,710	\$ (573)	\$ —	\$ 8,137	15 years
Trademarks and tradenames	7,055	(2,144)	—	4,911	5-15 years
Customer relationships	43,628	(2,359)	—	41,269	5-15 years
Other intangibles	1,086	(193)	—	893	5-15 years
Total finite-lived intangibles	60,479	(5,269)	—	55,210	
Trademarks	29,500	—	—	29,500	Indefinite
Total indefinite-lived intangibles	29,500	—	—	29,500	
Total intangible assets, net	\$ 89,979	\$ (5,269)	\$ —	\$ 84,710	

We evaluate goodwill and indefinite-lived intangible assets for impairment annually during the fourth quarter of each year and at interim dates if indicators of impairment exist. Due to declines in the Company's stock price as well as changes to our estimates and assumptions of the expected future cash flows, management concluded that a triggering event occurred in the third quarter of 2022, based upon which we recorded an impairment charge related to our indefinite-lived intangible assets of \$24.9 million. During the fourth quarter of 2022, we further concluded that the remaining \$4.6 million balance of indefinite-lived intangibles was impaired. Based upon these assessments, we recorded a total impairment charge related to indefinite-lived intangibles of \$29.5 million for the year ended December 31, 2022. We also recorded an impairment charge related to our goodwill balance, as described further below.

We did not acquire any additional intangible assets during the year ended December 31, 2022. The weighted-average amortization period for intangible assets we acquired during the year ended December 31, 2021 was approximately 11.6 years.

Amortization expense for intangible assets was approximately \$4.4 million and \$2.6 million for the years ended December 31, 2022 and 2021, respectively.

#### Goodwill

We evaluate goodwill and indefinite-lived intangible assets for impairment annually during the fourth quarter of each year and at interim dates if indicators of impairment exist. Goodwill is assessed for impairment at the reporting unit level. Due to declines in the Company's stock price as well as changes to our estimates and assumptions of the expected future cash flows of our Consumer Goods and Industrial Goods reporting units, management concluded that a triggering event occurred in the third

quarter of 2022, requiring a quantitative impairment test of our goodwill for both of our reporting units. Based on this assessment, we concluded that the fair value of each of our reporting units was below their respective carrying value.

The table below presents changes in the carrying amount of goodwill by reportable segment for the year ended December 31, 2022:

<i>(in thousands)</i>	Industrial Goods	Consumer Goods	Total
Balance at December 31, 2021	\$ 24,332	\$ 17,528	\$ 41,860
Goodwill impairment charge	(24,332)	(17,528)	(41,860)
Foreign currency translation adjustment	—	—	—
Balance at December 31, 2022	\$ —	\$ —	\$ —

#### Accrued Expenses and Other Current Liabilities

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

<i>(in thousands)</i>	As of December 31,	
	2022	2021
Accrued expenses and other current liabilities:		
VAT payable	\$ 2,809	\$ 4,393
Contingent consideration	2,738	5,641
Accrued employee compensation	3,812	6,055
Accrued professional fees	818	1,700
Refund liability	329	1,481
Accrued construction in progress (ERP)	170	1,061
Sales tax payable	578	1,034
Accrued third-party logistics fees	—	421
Other	628	3,342
	\$ 11,882	\$ 25,128

#### 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 year ended December 31, 2022 and 2021, respectively, were as follows:

<i>(in thousands)</i>	Customer Deposits	
Balance as of December 31, 2020	\$ 2,729	
Customer deposits assumed as part of the KushCo and DaVinci acquisitions (Note 3 - Business Acquisitions)	3,974	
Increases due to deposits received, net of other adjustments	20,066	
Revenue recognized	(18,845)	
Balance as of December 31, 2021	7,924	
Increases due to deposits received, net of other adjustments	12,016	
Revenue recognized	(15,957)	
Balance as of December 31, 2022	\$ 3,983	

#### Accumulated Other Comprehensive Loss



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

<i>(in thousands)</i>	Foreign Currency Translation	Unrealized Gain or (Loss) on Derivative Instrument	Total
Balance at December 31, 2020	\$ 183	\$ (154)	\$ 29
Other comprehensive income (loss)	115	376	491
Less: Other comprehensive (income) loss attributable to non-controlling interest	(16)	(180)	(196)
Balance at December 31, 2021	282	42	324
Other comprehensive income (loss)	(211)	358	147
Less: Reclassification adjustment for (gain) loss included in net loss (Note 4)	—	(332)	(332)
Less: Other comprehensive (income) loss attributable to non-controlling interest	(16)	(68)	(84)
Balance at December 31, 2022	<u>\$ 55</u>	<u>\$ —</u>	<u>\$ 55</u>

#### Supplier Concentration

Our four largest vendors accounted for an aggregate of approximately 57.4% and 51.8% of our total purchases for the years ended December 31, 2022 and 2021, 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 totaled approximately \$0.4 million and \$0.1 million for the years ended December 31, 2022 and 2021, respectively. Total gross accounts receivable due from Unrivaled were approximately \$0.4 million as of December 31, 2022 and 2021, 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, co-founder and a former director of the Company, has a significant ownership interest in one of our customers, Universal Growing. Net sales to Universal Growing were less than approximately \$0.1 million for the year ended December 31, 2022, and approximately \$0.2 million for the year ended December 31, 2021. Total gross accounts receivable due from Universal Growing as of December 31, 2021 and 2022 were de minimis.

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, with respect to the \$8.0 million Bridge Loan. On June 30, 2022, we entered into the First Amendment to the Secured Promissory Note, which provided for the extension of the maturity date of the Secured Promissory Note from June 30, 2022 to July 14, 2022. On July 19, 2022, we fully repaid the Bridge Loan and as a result, all obligations under the Bridge Loan have been satisfied.

On July 19, 2022, Warehouse Goods entered into a Membership Interest Purchase Agreement and supporting documents (collectively, the "Sale Agreement") with Portofino Partners LLC ("Portofino") to sell the Company's 50% stake in VIBES Holdings LLC for total consideration of \$4.6 million in cash. The transactions contemplated by the Sale Agreement were completed on July 19, 2022, immediately following the signing of the Sale Agreement. Portofino is an entity partially controlled by Adam Schoenfeld. The Sale Agreement was approved by the affirmative vote of a majority of the disinterested members of the Board and the audit committee of the Board in accordance with the Company's related party transactions policy.

Renah Persofsky, a current director of the Company, is a member of the board of directors of Tilray Brands, Inc. ("Tilray"). Net sales to Tilray totaled approximately \$2.2 million for the year ended December 31, 2022. Because Ms. Persofsky's indirect interest in this transaction related solely to being a director of Tilray, pursuant to Item 404 of SEC Regulation S-K, Ms. Persofsky's indirect interest in this transaction is deemed not material because it arises solely because she is a director of Tilray.

## NOTE 9. STOCKHOLDERS' EQUITY

Certain balances herein reflect the restatements described in "Note 2 — Summary of Significant Accounting Policies - Restatement of Previously Issued Financial Statements."

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 "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 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 Reverse Stock Split.

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

### Non-Controlling Interest

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

### At-the-Market Equity Offering

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

Sales of our Class A common stock under the ATM Program may be made by means of transactions that are deemed to be an "at the market offering" as defined in Rule 415(a)(4) under the Securities Act, including sales made directly on the Nasdaq 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 twelve-month period so long as the Company's public float remains below \$75.0 million.

On April 18, 2022, we entered into Amendment No. 1 (the "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 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:

<i>(\$ in thousands)</i>	Year Ended December 31, 2022	August 2021 (Inception) through December 31, 2022
Class A shares sold*	852,562	972,624
Gross proceeds	\$ 9,303	\$ 12,684
Net proceeds	\$ 9,024	\$ 12,303
Fees paid to sales agent	\$ 279	\$ 381

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

### Common Stock and Warrant Offerings

#### *August 2021 Offering*

On August 9, 2021, we entered into securities purchase agreements with certain accredited investors, pursuant to which we agreed to issue and sell an aggregate of 210,000 shares of our Class A common stock, pre-funded warrants to purchase up to 296,329 shares of our Class A common stock (the "August 2021 Pre-Funded Warrants") and warrants to purchase up to 303,797 shares of our Class A common stock (the "August 2021 Standard Warrants" and, together with the August 2021 Pre-Funded Warrants, the "August 2021 Warrants"), in a registered direct offering (the "August 2021 Offering"). The shares of Class A common stock and August 2021 Warrants were sold in Units (the "August 2021 Units"), with each unit consisting of one share of Class A common stock or an August 2021 Pre-Funded Warrant and an August 2021 Standard Warrant to purchase 0.6 of a share of our Class A common stock. The Units were offered pursuant to our existing shelf registration statement on Form S-3. The August 2021 Standard Warrants were immediately exercisable at an exercise price equal to \$71.00 per share of Class A common stock. The August 2021 Standard Warrants are exercisable for five years from the date of issuance. Each August 2021 Pre-Funded Warrant was exercisable with no expiration date for one share of Class A common stock at an exercise price of \$0.20. The August 2021 Offering generated gross proceeds of approximately \$31.9 million and net proceeds to the Company of approximately \$29.9 million. All August 2021 Pre-Funded Warrants were exercised in August and September 2021, based upon which we issued an additional 296,329 shares of our Class A common stock, for net proceeds of approximately \$0.1 million.

#### *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 85,000 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, 1,377,780 October 2022 Pre-Funded Warrants and 16,666,670 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 Offering

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 \$0.0 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 Annual Report on Form 10-K.

#### Class C Common Stock Conversion

On August 31, 2021, we completed our merger with KushCo. Pursuant to the Merger Agreement, immediately prior to the consummation of the Mergers, holders of Class C common stock, \$0.0001 par value per share, received one-third of one share of Class B common stock, for each share of Class C common stock held, and Greenlane adopted the A&R Charter which eliminated Class C common stock as a class of Greenlane's capital stock.

#### 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):

(in thousands, except per share data)	For the year ended December 31,	
	2022	2021
	(As restated)	
<i>Numerator:</i>		
Net loss	\$ (182,226)	\$ (53,423)
Less: Net loss attributable to non-controlling interests	(12,717)	(22,840)
Net loss attributable to Class A common stockholders	\$ (169,509)	\$ (30,583)
<i>Denominator:</i>		
Weighted average shares of Class A common stock outstanding*	7,531	1,930
Net loss per share of Class A common stock - basic and diluted*	\$ (22.51)	\$ (15.85)

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

The June 2022 Pre-Funded Warrants and the October 2022 Pre-Funded Warrants were included in the weighted-average in the computation of basic net loss per share of Class A common stock for the year ended December 31, 2022 and 2021, respectively, beginning with their issuance date, as their stated exercise price of \$0.002 was non-substantive and their exercise was virtually assured.

For the year ended December 31, 2022 and 2021, respectively, shares of Class B common stock, shares of Class C 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 and Class C 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 and Class C common stock under the two-class method have not been presented.

#### NOTE 10. COMPENSATION PLANS

##### Amended and Restated 2019 Equity Incentive Plan

In April 2019, we adopted the 2019 Equity Incentive Plan (the "2019 Plan"). Excluding the effect of the one-for-20 Reverse Stock Split, we previously registered 5,000,000 shares of Class A common stock that are or may become issuable under the 2019 Plan as stock options and other equity-based awards to employees, directors and executive officers. 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. Excluding the effect of the one-for-20 Reverse Stock Split, the Amended 2019 Plan, among other things, increases the number of shares of Class A common stock available for issuance under the 2019 Plan by 2,860,367.

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 by 785,000 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 August 31, 2021, we completed our merger with KushCo pursuant to the Merger Agreement dated as of March, 31, 2021. See "Note 3 - Business Acquisitions" for additional details.

At the effective time of the Mergers, options to purchase shares of Class A common stock (the "Greenlane options") and shares of Greenlane restricted stock were treated as follows:

- Each unvested Greenlane option, other than Greenlane options held by non-employee directors of Greenlane, accelerated and became vested in full;
- Each Greenlane option held by non-employee directors of Greenlane, whether vested or unvested, remained outstanding (and unvested, as applicable) in accordance with the terms of Greenlane's equity plan covering each such option;
- Each unvested share of Greenlane restricted stock and each unvested common unit of the Operating Company, other than Greenlane restricted stock or Greenlane restricted common units held by non-employee directors of Greenlane, accelerated and became vested in full in accordance with the terms of Greenlane's equity plan covering each such award; and
- Each unvested share of Greenlane restricted stock or Greenlane restricted common units of Greenlane held by non-employee directors of Greenlane, whether vested or unvested, remained outstanding (and unvested, as applicable) in accordance with the terms of Greenlane's equity plan covering each such award.

The Greenlane equity awards vesting acceleration was accounted for as a modification under ASC Topic 718, *Compensation - Stock Compensation*.

#### KushCo Equity Plan

As described in "Note 3 - Business Acquisitions," in connection with the completion of our merger with KushCo, we assumed the sponsorship of the KushCo Equity Plan. We do not intend to make future grants under the KushCo Equity Plan.

#### Equity-Based Compensation Expense

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

<i>(in thousands)</i>	For the year ended December 31,	
	2022	2021
Stock options - Class A common stock	\$ 1,098	\$ 4,204
Restricted shares - Class A common stock	517	1,009
Restricted stock units (RSUs) - Class A common stock	11	53
Common units of the Operating Company	—	449
Total equity-based compensation expense	\$ 1,626	\$ 5,715

During the year ended December 31, 2022, we granted an aggregate of 129,106 options to our directors and certain employees. The stock options were granted with exercise prices ranging from \$0.52 per share to \$20.00 per share, and vesting periods ranging from three months to four years.

During the year ended December 31, 2021, we granted an aggregate of 83,817 options to our directors and certain employees. The stock options were granted with exercise prices ranging from \$0.00 per share to \$124.00 per share, and vesting periods ranging from six months to four years.

Total remaining unrecognized compensation expense as of December 31, 2022 was as follows:

	Remaining Unrecognized Compensation Expense December 31, 2022 (in thousands)	Weighted Average Period over which Remaining Unrecognized Compensation Expense is Expected to be Recognized (in years)
Stock options - Class A common stock	\$ 206	1.6
Restricted shares - Class A common stock	201	1.4
Total remaining unrecognized compensation expense	<u>\$ 407</u>	

The fair value of the stock option awards granted during the years ended December 31, 2022 and 2021 was determined on the grant date using the Black-Scholes valuation model based on the following ranges of weighted-average assumptions:

	For the year ended December 31,	
	2022	2021
Expected volatility (1)	100% - 100%	100% - 107%
Expected dividend yield (2)	—	—
Expected term (3)	5.88 - 6.05 years	5.25 - 6.25 years
Risk-free interest rate (4)	1.62% - 3.31%	0.78% - 1.37%

(1) Expected volatility is based on the historical volatility of a selected peer group over a period equivalent to the expected term.

(2) We assumed a dividend yield of zero as management has no plans to declare dividends in the foreseeable future.

(3) Expected term represents the estimated period of time until an award is exercised and was determined using the simplified method.

(4) The risk-free rate is an interpolation of yields on U.S. Treasury securities with maturities equivalent to the expected term.

A summary of stock option activity for the years ended December 31, 2022 and 2021 is as follows:

	Stock Options	
	Number of Options	Weighted-Average Exercise Price
Outstanding as of December 31, 2020	68,699	\$ 109.40
Granted	239,466	62.80
Exercised	(5,053)	48.00
Forfeited	(37,165)	86.00
Outstanding as of December 31, 2021	<u>265,947</u>	71.80
Granted	129,106	9.34
Exercised	—	—
Forfeited	(167,201)	17.59
Outstanding as of December 31, 2022	<u><u>227,852</u></u>	\$ 58.88

The weighted-average grant date fair value of options granted for the years ended December 31, 2022 and 2021 was \$9.34 and \$62.80, respectively. The total fair value of stock options vested during the years ended December 31, 2022 and 2021 was approximately \$2.1 million and \$1.5 million, respectively.

#### Common Units of the Operating Company Granted as Equity-Based Compensation

In connection with the closing of the IPO in April 2019, we consummated certain organizational transactions with the Operating Company, as described in further detail in "Note 1—Business Operations and Organization," among which, the Operating Company reclassified unvested Class B membership interests and profits interests which had been granted as equity-based compensation into Common Units of the Operating Company.

The following table provides a summary of the unvested Common Units outstanding and related transactions:

	<b>Common Units Subject to Vesting</b>
Unvested Common Units as of December 31, 2020	203,904
Granted	—
Vested	(198,758)
Forfeited	(5,146)
Unvested Common Units as of December 31, 2021	—

#### 401(k) Plan

Our 401(k) Plan is a deferred salary arrangement under Section 401(k) of the Internal Revenue Code. Under the 401(k) Plan, participating U.S. employees may defer a portion of their pre-tax earnings, up to the U.S. Internal Revenue Service annual contribution limit (\$20,500 for calendar year 2022). Participants are eligible to receive a matching contribution from us of 100% of the first 3% and 50% of the next 2% of contributions. Matching contributions, other than safe-harbor contributions, vest 33% per year and are 100% vested after three years of service. Safe-harbor matching contributions are 100% vested as of the date of the contribution.

#### 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 addition to state and local income taxes, based on our share of the Operating Company's pass-through taxable income.

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

The Company's United States and foreign operations components of income (loss) from continuing operations before income taxes are as follows:

<i>(in thousands)</i>	<b>For the year ended December 31,</b>	
	<b>2022</b>	<b>2021</b>
United States	\$ (172,997)	\$ (51,109)
Foreign	\$ (9,242)	\$ (2,304)
Total	\$ (182,239)	\$ (53,413)

#### Income Tax Expense

The income tax (benefit) expense for the years ended December 31, 2022 and 2021 consisted of the following:

<i>(in thousands)</i>	For the year ended December 31, 2022				For the year ended December 31, 2021			
	Federal	Foreign	State	Total	Federal	Foreign	State	Total
Current tax (benefit) expense								
Current year	\$ —	\$ (13)	\$ —	\$ (13)	\$ —	\$ (10)	\$ 20	\$ 10
Total current year	—	(13)	—	(13)	—	(10)	20	10
Deferred tax (benefit) expense								
Current year	(31,475)	(2,311)	(10,368)	(44,154)	(6,624)	(636)	(2,211)	(9,471)
Change in valuation allowance	36,867	2,311	13,523	52,701	30,255	636	12,095	42,986
Change in tax rate	72	—	(344)	(272)	101	—	(479)	(378)
Tax conversion of Operating Company	2,990	—	1,022	4,012	—	—	—	—
Up-C consolidation	(10,097)	—	(3,440)	(13,537)	(5,733)	—	(1,901)	(7,634)
KushCo merger	1,643	—	(393)	1,250	(17,999)	—	(7,504)	(25,503)
Total deferred tax (benefit) expense	—	—	—	—	—	—	—	—
Income tax (benefit) expense	\$ —	\$ (13)	\$ —	\$ (13)	\$ —	\$ (10)	\$ 20	\$ 10

A reconciliation of the income tax (benefit) expense computed at the U.S. federal statutory income tax rate to the income tax expense recognized is as follows:

<i>(in thousands)</i>	For the year ended December 31,	
	2022	2021
Expected federal income tax (benefit) expense at statutory rate	\$ (38,270)	\$ (11,216)
State tax expense, net of federal benefit	(8,688)	(2,125)
Loss attributable to non-controlling interests	2,121	3,475
Change in valuation allowance	52,701	42,986
Tax conversion of Operating Company	4,012	—
Up-C consolidation	(13,537)	(7,634)
KushCo merger	1,250	(25,503)
Other, net	398	27
Income tax (benefit) expense	\$ (13)	\$ 10

#### Deferred Tax Assets and Liabilities

The components of deferred tax assets and liabilities were as follows:



<i>(in thousands)</i>	As of December 31,	
	2022	2021
Deferred tax assets:	As Restated	
Goodwill and other intangible assets	\$ 36,841	\$ 16,285
Fixed assets	1,590	—
Inventory	5,858	—
Allowance for doubtful accounts	833	—
Operating lease liability	862	—
Equity-based compensation	2,576	—
Business interest carryforward	5,342	—
Net operating loss carryforwards	57,136	44,424
Other	576	4,351
Total deferred tax assets	111,614	65,060
Valuation allowance	(110,799)	(58,098)
Net deferred tax assets	815	6,962
Deferred tax liability:		
Fixed assets	—	—
Right of use assets	(815)	—
Basis difference in investment in the Operating Company	—	(6,962)
Total deferred tax liabilities	(815)	(6,962)
Net deferred tax assets and liabilities	\$ —	\$ —

We had approximately \$196.1 million of Federal net operating loss carryforwards, of which approximately \$9.8 million expire in 2038, and the remainder are not subject to expiration. Their utilization is limited to 80% of our future taxable income. We also had approximately \$197.9 million of State net operating loss carryforwards that begin expiring in 2038 and \$15.5 million of Dutch and Canadian net operating loss carryforwards that begin expiring in 2026. Their utilization is limited to our future taxable income. We have not completed our evaluation of NOL utilization limitations under Internal Revenue Code, as amended (the "Code") Section 382, change in ownership rules. Due to the fact that there is a full valuation allowance and losses being generated in the current year, any limitation based on the Code would not have a material impact on the net deferred tax asset balance. In addition, the deduction for business interest is limited to 30 percent of taxable income (the "Section 163(j) limitation"). The interest that is not deductible due this limitation is carried forward to subsequent years and subject to the next years Section 163(j) limitation. At December 31, 2022 we had \$20.3 million of business interest carryforwards, which includes \$17.6 million from the KushCo merger. The utilization of the business interest carryforward from the KushCo merger may be further limited by the application of the Section 382 rules.

During the years ended December 31, 2022 and 2021, 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 December 31, 2022 and 2021, 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 year ended December 31, 2022, we did not have any unrecognized tax benefits as a result of tax positions taken during a prior period or during the current period. No interest or penalties have been recorded as a result of tax uncertainties. The Company is subject to audit examination for federal and state purposes for the years 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 of 85% of the amount of tax benefits, if any, that we may actually realize (or in some circumstances are deemed to realize) as a result of (i) increases in tax basis resulting from any future redemptions of Common Units as described in "Note 1—Business Operations and Organization" and (ii) certain other tax benefits attributable to payments made under the TRA.

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

As noted above, we evaluated the realizability of the deferred tax assets resulting from the IPO and the related transactions completed in April 2019 and established a full valuation allowance against those benefits. As a result, we determined that the amount or timing of payments to noncontrolling interest holders under the TRA are no longer probable or reasonably estimable. Based on this assessment, our TRA liability was \$0 as of December 31, 2022 and 2021.

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 years ended December 31, 2022 and 2021, 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 December 31, 2022, 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 fourth quarter of 2022. 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, like 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 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 years ended December 31, 2022 and 2021. There were no material intersegment sales during the years ended December 31, 2022 and 2021.

(in thousands)	For the year ended December 31, 2022			For the year ended December 31, 2021		
	Consumer Goods	Industrial Goods	Total	Consumer Goods	Industrial Goods	Total
Net sales	\$ 48,134	\$ 88,951	\$ 137,085	\$ 110,105	\$ 55,955	\$ 166,060
Cost of sales	38,531	73,571	112,102	87,561	44,646	132,207
Gross profit	\$ 9,603	\$ 15,380	\$ 24,983	\$ 22,544	\$ 11,309	\$ 33,853

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

<i>(in thousands)</i>	As of December 31, 2022			As of December 31, 2021		
	Consumer Goods	Industrial Goods	Total	Consumer Goods	Industrial Goods	Total
Accounts receivable, net	\$ 967	\$ 5,501	\$ 6,468	\$ 3,746	\$ 10,944	\$ 14,690
Inventories, net	\$ 19,259	\$ 21,384	\$ 40,643	\$ 32,142	\$ 34,840	\$ 66,982
Vendor deposits	\$ 3,269	\$ 3,027	\$ 6,296	\$ 9,675	\$ 8,800	\$ 18,475

The following table sets forth our net sales by major product category:

<i>(in thousands)</i>	For the year ended December 31,	
	2022	2021
Industrial Vape Products	53,664	25,312
Other Industrial Products	35,287	30,643
Consumer Products - Greenlane Brands	15,063	26,067
Consumer Products - 3rd Party Brands	33,071	84,038
Total net sales	\$ 137,085	\$ 166,060

The following table sets forth net sales disaggregated by geography:

<i>(in thousands)</i>	For the year ended December 31,	
	2022	2021
United States	\$ 126,333	\$ 146,006
Canada	5,810	9,717
Europe	4,942	10,337
Total net sales	\$ 137,085	\$ 166,060

The following table sets forth our long-lived assets by geographic area, which consist of property and equipment, net, and operating lease right-of-use assets:

<i>(in thousands)</i>	As of December 31,	
	2022	2021
United States	\$ 7,077	\$ 29,186
Canada	48	122
Europe	279	671
Total long-lived assets	\$ 7,404	\$ 29,979

See "Note 8—Supplemental Financial Statement Information" for goodwill by reportable segment.

### NOTE 13. SUBSEQUENT EVENTS

#### *Asset-Based Loan Amendment*

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 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.

#### *ERC Sale*

As of December 31, 2022, we had recorded an 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 Employee Retention Credit ("ERC") program.

**NOTE 14. SELECTED QUARTERLY FINANCIAL INFORMATION (UNAUDITED)**

The following tables present the net impact of the restatement described in "Note 2 — Summary of Significant Accounting Policies - Restatement of Previously Issued Financial Statements" on our previously reported unaudited condensed financial statements for the quarterly period ended September 30, 2022. The previously reported amounts presented in the tables below have been derived from our Quarterly Report on Form 10-Q filed on November 14, 2022. See "Note 2 — Summary of Significant Accounting Policies - Restatement of Previously Issued Financial Statements" for a description of the errors shown below. The net impact of the restatement on our quarterly financial data for Q3 2022 is summarized as follows:

**GREENLANE HOLDINGS, INC.  
CONDENSED CONSOLIDATED BALANCE SHEET**

<i>(in thousands, except par value per share amounts)</i>	As of September 30, 2022		
	As previously reported	Corrections (a)	As restated
<b>ASSETS</b>			
Property and equipment, net	\$ 11,838	\$ (7,336)	\$ 4,502
Intangible assets, net	\$ 55,294	\$ (50,694)	\$ 4,600
Total assets	\$ 165,328	\$ (58,030)	\$ 107,298
<b>STOCKHOLDERS' EQUITY</b>			
Accumulated deficit	\$ (158,109)	\$ (55,394)	\$ (213,503)
Total stockholders' equity attributable to Greenlane Holdings, Inc.	\$ 101,326	\$ (55,394)	\$ 45,932
Non-controlling interest	\$ 218	\$ (2,636)	\$ (2,418)
Total stockholders' equity	\$ 101,544	\$ (58,030)	\$ 43,514
Total liabilities and stockholders' equity	\$ 165,328	\$ (58,030)	\$ 107,298

**GREENLANE HOLDINGS, INC.**  
**CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE LOSS**

<i>(in thousands, except share and per share amounts)</i>	For the three months ended September 30, 2022			For the nine months ended September 30, 2022		
	As previously reported	Corrections (a)	As restated	As previously reported	Corrections (a)	As restated
Operating expenses:						
Goodwill and indefinite-lived intangibles impairment charge	66,760	—	66,760	66,760	—	66,760
Definite-lived intangibles impairment charge	—	50,694	50,694	—	50,694	50,694
Property and equipment impairment charge	—	7,336	7,336	—	7,336	7,336
Total operating expenses	84,431	58,030	142,461	130,383	58,030	188,413
Loss from operations	(79,462)	(58,030)	(137,492)	(111,347)	(58,030)	(169,377)
Loss before income taxes	(79,215)	(58,030)	(137,245)	(112,383)	(58,030)	(170,413)
Net loss	(79,215)	(58,030)	(137,245)	(112,445)	(58,030)	(170,475)
Net loss attributable to non-controlling interest	(4,106)	(2,636)	(6,742)	(9,880)	(2,636)	(12,516)
Net loss attributable to Greenlane Holdings, Inc.	(75,109)	(55,394)	(130,503)	(102,565)	(55,394)	(157,959)
Net loss attributable to Class A common stock per share - basic & diluted*	\$ (11.43)	\$ (8.42)	\$ (19.85)	\$ (18.01)	\$ (9.73)	\$ (27.74)
Weighted-average shares of Class A common stock outstanding - basic & diluted*	6,574	—	6,574	5,694	—	5,694
Comprehensive loss	(79,453)	(58,030)	(137,483)	(112,299)	(58,030)	(170,329)
Comprehensive loss attributable to non-controlling interest	(4,106)	(2,636)	(6,742)	(9,794)	(2,636)	(12,430)
Comprehensive loss attributable to Greenlane Holdings, Inc.	(75,347)	(55,394)	(130,741)	(102,505)	(55,394)	(157,899)

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

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

(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*					
<b>As previously reported</b>									
Net loss	—	\$ —	—	\$ —	—	\$ (75,109)	—	\$ (4,106)	\$ (79,215)
Balance September 30, 2022	7,470	\$ 68	148	\$ —	259,314	\$ (158,109)	53	\$ 218	\$ 101,544
<b>Balance Restatement impacts (a)</b>									
Net loss	—	\$ —	—	\$ —	—	\$ (55,394)	—	\$ (2,636)	\$ (58,030)
Balance September 30, 2022	—	\$ —	—	\$ —	—	\$ (55,394)	—	\$ (2,636)	\$ (58,030)
<b>Balance As restated</b>									
Net loss (As restated)	—	\$ —	—	\$ —	—	\$ (130,503)	—	\$ (6,742)	\$ (137,245)
Balance September 30, 2022	7,470	\$ 68	148	\$ —	259,314	\$ (213,503)	53	\$ (2,418)	\$ 43,514

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

**GREENLANE HOLDINGS, INC.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(in thousands)	For the nine months ended September 30, 2022		
	As previously reported	Corrections (a)	As restated
<b>Cash flows from operating activities:</b>			
Net loss (including amounts attributable to non-controlling interest) (As restated)	\$ (112,445)	\$ (58,030)	\$ (170,475)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation and amortization	\$ 6,876	\$ —	\$ 6,876
Goodwill and indefinite-lived intangibles impairment charge	\$ 66,760	\$ —	\$ 66,760
Definite-lived intangibles impairment charge (As restated)	\$ —	\$ 50,694	\$ 50,694
Property and equipment impairment charge (As restated)	\$ —	\$ 7,336	\$ 7,336
<b>Net cash used in operating activities</b>	<b>\$ (22,488)</b>	<b>\$ —</b>	<b>\$ (22,488)</b>
<b>Cash flows from investing activities:</b>			
<b>Net cash provided by (used in) investing activities</b>	<b>\$ 12,500</b>	<b>\$ —</b>	<b>\$ 12,500</b>
<b>Cash flows from financing activities:</b>			
<b>Net cash provided by financing activities</b>	<b>\$ 7,535</b>	<b>\$ —</b>	<b>\$ 7,535</b>
Net (decrease) in cash and restricted cash	\$ (2,663)	\$ —	\$ (2,663)
Cash and restricted cash, as of beginning of the period	\$ 12,857	\$ —	\$ 12,857
<b>Cash and restricted cash, as of end of the period</b>	<b>\$ 10,194</b>	<b>\$ —</b>	<b>\$ 10,194</b>

(a) To reflect the impairment charge to definite-lived intangibles and property and equipment, which occurred as of September 30, 2022, along with the allocation of the resulting additional net loss to non-controlling interest.

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

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we conducted an evaluation (pursuant to Rule 13a-15(b) of the Exchange Act) of the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) under the Exchange Act as of December 31, 2022.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is recorded, processed, summarized, and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include controls and procedures designed to ensure that information required to be disclosed in our company's reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial and Legal Officer, to allow timely decisions regarding required disclosure.

Based on the evaluation of our disclosure controls and procedures, our Chief Executive Officer and Chief Financial and Legal Officer concluded that our disclosure controls and procedures were ineffective as of December 31, 2022 due to the material weaknesses identified and described below.

#### **Management's Report on Internal Control Over Financial Reporting**

Our management, including our Chief Executive Officer and Chief Financial and Legal Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. GAAP. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial and Legal Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2022, based on the framework in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (2013 framework). Based on this evaluation, our Chief Executive Officer and Chief Financial and Legal Officer have concluded that as of December 31, 2022, the Company has not maintained effective internal control over financial reporting due to the material weaknesses identified and described below.

Because we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting for so long as we are an emerging growth company.

#### ***Material Weaknesses***

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.

Among the previously reported design and operating deficiencies which contributed to material weaknesses in our control activities, management noted ineffective user access controls over certain IT systems to appropriately segregate duties and adequately restrict user access to financial applications and data to the appropriate personnel. While certain compensating control activities have been designed and implemented to mitigate the risks related to ineffective user access controls, these compensating control activities are not expected to operate at a level of precision that would prevent or detect a misstatement that could be material.

#### ***Control Environment***

We did not maintain an effective control environment to enable the identification and mitigation of risks of material accounting errors and ensure corrective activities were appropriately applied, prioritized, and implemented in a timely manner.

#### ***Risk Assessment***

As part of our remediation efforts related to the material weaknesses identified in the prior year, we continued our efforts during 2022 to design an effective risk assessment, which was not completed or fully implemented in order to identify and mitigate key business and financial reporting risks to the organization. Control deficiencies were identified which constitute material weaknesses relating to: (i) identifying, assessing, and communicating appropriate objectives, (ii) identifying and

analyzing risks to achieve these objectives, (iii) considering the potential for fraud in assessing risks to the achievement of objectives, and (iv) identifying and assessing changes that could significantly impact the system of internal controls.

#### *Control Activities*

As part of our remediation efforts related to the material weaknesses identified in the prior year, we continued our efforts during 2022 to design and implement control activities, however, design efforts relating to control activities were not fully implemented. Control deficiencies were identified associated with control activities. Specifically, these control deficiencies constitute material weaknesses, either individually or in the aggregate, relating to: (i) selecting and developing control activities that contribute to the mitigation of risks and support achievement of objectives, (ii) selecting and developing general control activities over technology to support the achievement of objectives, and (iii) deploying control activities through policies that establish what is expected and procedures that put policies into action.

The following design and operating deficiencies, individually and in the aggregate, contributed to material weaknesses in our control activities, including:

- Lack of direct and precise journal entry review
- Ineffective user access controls over certain IT systems to appropriately segregate duties and adequately restrict user access to financial applications and data to the appropriate personnel, including systems and data used in financial close and reporting
- A material weakness related to the application and interpretation of generally accepted accounting principles (“GAAP”) that resulted in errors in the Company’s long-lived asset impairment evaluation.

#### *Information and Communication*

We did not implement effective information and communication control activities. A control deficiency was identified which constitutes a material weakness relating to information technology controls, which includes information security, systems change management and computer operations for systems and applications that are critical to processing financial transactions and capturing and reporting information in the financial reporting process. These ineffective information technology controls contributed to ineffective data validation of spreadsheets and system-generated reports utilized in the preparation of the financial statements and disclosures.

#### *Monitoring*

We did not implement effective monitoring activities. Control deficiencies were identified which constitute material weaknesses, individually and in the aggregate, relating to: (i) selecting, developing, and performing ongoing evaluation to ascertain whether the components of internal controls are present and functioning, and (ii) evaluating and communicating internal control deficiencies in a timely manner to those parties responsible for taking corrective action.

#### *Remediation Plan and Status*

As previously disclosed, in 2021, 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 December 31, 2022 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

#### **Inherent Limitations on Effectiveness of Controls**

Management recognizes that a control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud or error, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

#### **ITEM 9B. OTHER INFORMATION**

None.

#### **ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS**

Not applicable.

### **PART III**

#### **ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The information required by this item is incorporated by reference to our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2022.

#### **ITEM 11. EXECUTIVE COMPENSATION**

The information required by this item is incorporated by reference to our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2022.

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

The information required by this item is incorporated by reference to our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2022.

#### **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this item is incorporated by reference to our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2022.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this item is incorporated by reference to our Proxy Statement for the 2023 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2022.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

We have filed the following documents as part of this Form 10-K/A:

( 1 ) Consolidated	Financial	Statements
Index to Consolidated Financial Statements		Page
<a href="#">Reports of Independent Registered Public Accounting Firms</a>		<a href="#">58</a>
<a href="#">Consolidated Balance Sheets</a>		<a href="#">60</a>
<a href="#">Consolidated Statements of Operations and Comprehensive Loss</a>		<a href="#">61</a>
<a href="#">Consolidated Statements of Stockholders' Equity</a>		<a href="#">62</a>
<a href="#">Consolidated Statements of Cash Flows</a>		<a href="#">63</a>
<a href="#">Notes to Consolidated Financial Statements</a>		<a href="#">65</a>

(2) Financial Statement Schedules

All financial statement schedules are omitted since they are not required or are not applicable, or the required information is included in the consolidated financial statements and accompanying notes included in this Form 10-K/A.

(3) Exhibits Required by Item 601 of Regulation S-K

Exhibit Number	Description
3.1	<a href="#">Amended and Restated Certificate of Incorporation of Greenlane Holdings, Inc.</a> (Incorporated by reference to Exhibit 3.1 to Greenlane's Quarterly Report on Form 10-Q, filed November 15, 2021).
3.2	<a href="#">Second Amended and Restated By-Laws of Greenlane Holdings, Inc.</a> (Incorporated by reference to Exhibit 3.2 to Greenlane's Current Report on Form 8-K, filed April 25, 2019).
3.3	<a href="#">Certificate of Amendment to the Amended and Restated Certificate of Incorporation of Greenlane Holdings, Inc., effective August 9, 2022</a> (Incorporated by reference to Exhibit 3.1 to Greenlane's Current Report on Form 8-K, filed on August 4, 2022).
4.1	<a href="#">Form of Stock Certificate</a> (Incorporated by reference to Exhibit 4.1 to Greenlane's Registration Statement on Form S-1/A, filed on April 8, 2019).
4.2	<a href="#">Form of Convertible Promissory Note</a> (Incorporated by reference to Exhibit 4.2 to Greenlane's Registration Statement on Form S-1, filed on March 20, 2019).
4.3	<a href="#">Description of Registrant's Securities</a> registered pursuant to Section 12 of the Securities Exchange Act of 1934 (Incorporated by reference to Exhibit 4.3 to Greenlane's Annual Report on Form 10-K, filed on April 24, 2020).
4.4	<a href="#">Form of August 2021 Standard Warrant</a> (Incorporated by reference to Exhibit 4.1 to Greenlane's Current Report on Form 8-K, filed August 10, 2021).
4.5	<a href="#">Form of August 2021 Pre-Funded Warrant</a> (Incorporated by reference to Exhibit 4.2 to Greenlane's Current Report on Form 8-K, filed August 10, 2021).
4.6	<a href="#">Form of Stock Option Assumption Notice – KushCo Options</a> (Incorporated by reference to Exhibit 99.2 to Greenlane's Registration Statement on Form S-8, filed August 31, 2021).
4.7	<a href="#">Form of Assumed June 12, 2018 KushCo Warrant, dated as of August 31, 2021</a> (Incorporated by reference to Exhibit 4.4 to Greenlane's Quarterly Report on Form 10-Q, filed November 15, 2021).
4.8	<a href="#">Form of Assumed January 18, 2019 KushCo Warrant, dated as of August 31, 2021</a> (Incorporated by reference to Exhibit 4.5 to Greenlane's Quarterly Report on Form 10-Q, filed November 15, 2021).
4.9	<a href="#">Form of Assumed August 21, 2019 KushCo Warrant, dated as of August 31, 2021</a> (Incorporated by reference to Exhibit 4.6 to Greenlane's Quarterly Report on Form 10-Q, filed November 15, 2021).
4.10	<a href="#">Form of Assumed September 30, 2019 KushCo Warrant, dated as of August 31, 2021</a> (Incorporated by reference to Exhibit 4.7 to Greenlane's Quarterly Report on Form 10-Q, filed November 15, 2021).
4.11	<a href="#">Form of Assumed February 10, 2020 KushCo Warrant, dated as of August 31, 2021</a> (Incorporated by reference to Exhibit 4.8 to Greenlane's Quarterly Report on Form 10-Q, filed November 15, 2021).
4.12	<a href="#">Form of Assumed February 24, 2021 KushCo Warrant, dated as of August 31, 2021</a> (Incorporated by reference to Exhibit 4.9 to Greenlane's Quarterly Report on Form 10-Q, filed November 15, 2021).
4.13	<a href="#">Form of June 2022 Pre-Funded Warrant</a> (Incorporated by reference to Exhibit 4.2 to Greenlane's Current Report on Form 8-K, filed June 28, 2022).
4.14	<a href="#">Form of June 2022 Standard Warrant</a> (Incorporated by reference to Exhibit 4.1 to Greenlane's Current Report on Form 8-K, filed on June 28, 2022).

4.15	<a href="#">Form of October 2022 Standard Warrant (Incorporated by reference to Exhibit 4.1 to Greenlane's Current Report on Form 8-K, filed on November 1, 2022).</a>
4.16	<a href="#">Form of October 2022 Pre-Funded Warrant (Incorporated by reference to Exhibit 4.2 to Greenlane's Current Report on Form 8-K, filed November 1, 2022).</a>
10.1	<a href="#">Form of Stock Option Agreement (Incorporated by reference to Exhibit 10.19 to Greenlane Holdings, Inc.'s Registration Statement on Form S-1, filed on March 20, 2019).</a>
10.2	<a href="#">Tax Receivable Agreement between Greenlane Holdings, Inc., Greenland Holdings, LLC and the Members of Greenlane Holdings, LLC (Incorporated by reference to Exhibit 10.4 to Greenlane's Current Report on Form 8-K, filed April 25, 2019).</a>
10.3	<a href="#">Registration Rights Agreement between Greenlane Holdings, Inc. and the Original Members of Greenlane Holdings, LLC (Incorporated by reference to Exhibit 10.1 to Greenlane's Current Report on Form 8-K, filed April 25, 2019).</a>
10.4	<a href="#">Fourth Amended and Restated Operating Agreement of Greenlane Holdings, LLC. (Incorporated by reference to Exhibit 10.4 to Greenlane's Annual Report on Form 10-K, filed March 31, 2022).</a>
10.5	<a href="#">Reorganization Agreement among Greenlane Holdings, Inc., Greenlane Holdings, LLC and the Members listed on the signature pages thereto (Incorporated by reference to Exhibit 10.3 to Greenlane's Current Report on Form 8-K, filed April 25, 2019).</a>
10.6	<a href="#">Purchase and Sale Agreement, dated as of August 16, 2022, by and between 1095 Broken Sound Pwky LLC and ASC Capital LLC (Incorporated by reference to Exhibit 10.3 to Greenlane's Quarterly Report on Form 10-Q, filed November 14, 2022).</a>
10.7	<a href="#">Form of Indemnification Agreement by and between Greenlane Holdings, Inc. and each of its Directors and Officers (Incorporated by reference to Exhibit 10.2 to Greenlane's September 30, 2020 Quarterly Report on Form 10-Q, filed November 16, 2020).</a>
10.8†	<a href="#">Second Amended and Restated Greenlane Holdings, Inc. 2019 Equity Incentive Plan (Incorporated by reference to Exhibit 10.1 to Greenlane's Registration Statement on Form S-8, filed August 31, 2022).</a>
10.9	<a href="#">Contribution Agreement, dated as of February 20, 2018, by and among Greenlane Holdings, LLC (f/k/a Jacoby Holdings LLC), the Sellers named therein and Better Life Products, Inc., as Seller Representative (Incorporated by reference to Exhibit 10.10 to Greenlane's Registration Statement on Form S-1, filed on March 20, 2019).</a>
10.10	<a href="#">Contribution Agreement, dated as of January 4, 2019, by and among Greenlane Holdings, LLC, Pollen Gear Holdings, LLC and Pollen Gear LLC. (Incorporated by reference to Exhibit 10.18 to Greenlane's Registration Statement on Form S-1, filed on March 20, 2019).</a>
10.11	<a href="#">Form of August 2021 Securities Purchase Agreement (Incorporated by reference to Exhibit 10.1 to Greenlane's Current Report on Form 8-K, filed August 10, 2021).</a>
10.12†	<a href="#">Separation and General Release Agreement by and between Warehouse Goods LLC and Adam Schoenfeld, dated as of March 9, 2022 (Incorporated by reference to Exhibit 10.1 to Greenlane's Current Report on Form 8-K, filed on March 10, 2022).</a>
10.13	<a href="#">Placement Agency Agreement, dated August 9, 2021 (Incorporated by reference to Exhibit 10.2 to Greenlane's Current Report on Form 8-K, filed August 10, 2021).</a>
10.14	<a href="#">Assignment and Assumption Agreement, dated as of November 5, 2018, by and between Jacoby &amp; Co, Inc. and Warehouse Goods LLC, relating to Employment Agreement with Adam Schoenfeld (Incorporated by reference to Exhibit 10.17 to Greenlane Holdings, Inc.'s Registration Statement on Form S-1, filed on March 20, 2019).</a>
10.15†	<a href="#">Separation and General Release Agreement by and between Warehouse Goods LLC and William Mote, dated as of May 16, 2022 (Incorporated by reference to Exhibit 10.4 to Greenlane's Quarterly Report on Form 10-Q, filed May 16, 2022).</a>
10.16†	<a href="#">Separation and General Release Agreement by and between Warehouse Goods LLC and Aaron LoCascio, dated as of December 30, 2021 (Incorporated by reference to Exhibit 10.1 to Greenlane's Current Report on Form 8-K, filed January 4, 2022).</a>
10.17†	<a href="#">Separation and General Release Agreement by and between Warehouse Goods LLC and Rodrigo de Oliveira, dated as of August 12, 2022 (Incorporated by reference to Exhibit 10.4 to Greenlane's Quarterly Report on Form 10-Q, filed August 15, 2022).</a>
10.18	<a href="#">Membership Interest Purchase Agreement, dated as of July 19, 2022, by and among Warehouse Goods LLC and Portofino Partners LLC (Incorporated by reference to Exhibit 10.1 to Greenlane's Current Report on Form 8-K, filed July 19, 2022).</a>
10.19	<a href="#">Placement Agency Agreement, dated June 27, 2022 (Incorporated by reference to Exhibit 10.2 to Greenlane's Current Report on Form 8-K, filed June 28, 2022).</a>
10.20	<a href="#">Form of June 2022 Securities Purchase Agreement (Incorporated by reference to Exhibit 10.1 to Greenlane's Current Report on Form 8-K, filed June 28, 2022).</a>
10.21	<a href="#">Form of October 2022 Securities Purchase Agreement (Incorporated by reference to Exhibit 10.1 to Greenlane's Current Report on Form 8-K, filed November 1, 2022).</a>
10.22	<a href="#">Placement Agency Agreement, dated October 27, 2022 (Incorporated by reference to Exhibit 10.2 to Greenlane's Current Report on Form 8-K, filed November 1, 2022).</a>

10.23	<a href="#">Loan and Security Agreement, dated as of August 8, 2022, 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 (Incorporated by reference to Exhibit 10.4 to Greenlane's Quarterly Report on Form 10-Q, filed November 14, 2022).</a>
10.24†	<a href="#">Amended and Restated Employment Agreement by and between Warehouse Goods LLC and Nicholas Kovacevich, dated as of October 6, 2022. (Incorporated by reference to Exhibit 10.1 to Greenlane's Current Report on Form 8-K, filed October 7, 2022).</a>
10.25	Form of Guaranty 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 (included in Exhibit 10.23).
10.26	Form of Pledge 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 (included in Exhibit 10.23).
10.27	Form of U.S. Intellectual Property 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 (included in Exhibit 10.23).
10.28	Form of Canadian 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 (included in Exhibit 10.23).
10.29	Form of Canadian Intellectual Property Security Agreement, dated as of August 8, 2022, 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 (included in Exhibit 10.23).
10.30†	<a href="#">Employment Agreement by and between Warehouse Goods LLC and Lana Reeve, dated as of December 6, 2022 (Incorporated by reference to Exhibit 10.1 to Greenlane's Current Report on Form 8-K, filed December 8, 2022).</a>
10.31†	<a href="#">Further Amended and Restated Employment Agreement by and between Warehouse Goods LLC and Craig Snyder, dated as of January 1, 2023 (Incorporated by reference to Exhibit 10.1 to Greenlane's Current Report on Form 8-K, filed January 6, 2023).</a>
21.1	<a href="#">List of subsidiaries of Greenlane Holdings, Inc. (Incorporated by reference to Exhibit 21.1 to Greenlane's Annual Report on Form 10-K, filed March 31, 2023)</a>
23.1*	<a href="#">Consent of Marcum LLP</a>
31.1*	<a href="#">Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
31.2*	<a href="#">Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002</a>
32.1*	<a href="#">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</a>
101*	The following materials from the Company's Annual Report on Form 10-K for the year ended December 31, 2022, 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.

† Indicates a management contract or compensatory plan or arrangement.

**ITEM 16. FORM 10-K SUMMARY**

None.

**SIGNATURES**

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

**GREENLANE HOLDINGS, INC.**

Date: January 5, 2024

By: /s/ Craig Snyder  
 Craig Snyder  
 Chief Executive Officer  
 (Principal Executive Officer)

Date: January 5, 2024

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

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

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ Craig Snyder</u> Craig Snyder	Director and Chief Executive Officer (Principal Executive Officer)	<u>January 5, 2024</u>
<u>/s/ Lana Reeve</u> Lana Reeve	Chief Financial and Legal Officer (Principal Financial and Accounting Officer)	<u>January 5, 2024</u>
<u>/s/ Donald Hunter</u> Donald Hunter	Director	<u>January 5, 2024</u>
<u>/s/ Aaron LoCascio</u> Aaron LoCascio	Director	<u>January 5, 2024</u>
<u>/s/ Renah Persofsky</u> Renah Persofsky	Director	<u>January 5, 2024</u>
<u>/s/ Gina Collins</u> Gina Collins	Director	<u>January 5, 2024</u>

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statements of Greenlane Holdings, Inc. on Form S-3 (File No. 333-257654) and Forms S-8 (File Nos. 333-267202, 333-259211, and 333-231419) of our report dated March 31, 2023, except for the effects of the restatement discussed below, as to which the date is January 5<sup>th</sup>, 2024, with respect to our audits of the consolidated financial statements of Greenlane Holdings, Inc. as of December 31, 2022 and 2021, and for the years ended December 31, 2022 and 2021, which report is included in this Annual Report on Form 10-K of Greenlane Holdings, Inc. for the year ended December 31, 2022.

Our report on the consolidated financial statements refers to (a) a restatement of the previously issued consolidated financial statements and (b) a change in the method of accounting for outbound shipping and handling costs in 2022.

/s/ Marcum LLP

Marcum LLP  
Costa Mesa, CA  
January 5th, 2024

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

I, Craig Snyder, certify that:

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K/A 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: January 5, 2024

/s/ CRAIG SNYDER

Craig Snyder  
Chief Executive Officer  
*(Principal Executive Officer)*



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

I, Lana Reeve, certify that:

1. I have reviewed this Amendment No. 1 to the Annual Report on Form 10-K/A 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: January 5, 2024

/s/ LANA REEVE

---

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

**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 Amendment No. 1 to the Annual Report of Greenlane Holdings, Inc. (the “Company”) on Form 10-K/A for the fiscal year ended December 31, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Craig Snyder, the Chief Executive Officer of the Company, and I, Lana Reeve, the Chief Financial and Legal 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: January 5, 2024

/s/ CRAIG SNYDER

Craig Snyder  
Chief Executive Officer  
*(Principal Executive Officer)*

/s/ LANA REEVE

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