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

FORM 10-K

(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, 2021

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 300 Boca Raton, FL	33487
(Address of principal executive offices)	**(Zip Code)**

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

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

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

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

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

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

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

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

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

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

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

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

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

The aggregate market value of the common equity held by non-affiliates of the registrant as of June 30, 2021, the last business day of the registrant's most recently completed second fiscal quarter, was approximately $74.5 million based upon the closing price reported for such date on the Nasdaq Global Select Market.

As of March 28, 2022, Greenlane Holdings, Inc. had100,479,548 shares of Class A common stock outstanding and21,184,919 shares of Class B common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2021 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Form 10-K 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, 2021.

Greenlane Holdings, Inc.
Form 10-K
For the Fiscal Year Ended December 31, 2021

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NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K ("Form 10-K") 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 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:

- the impacts of the novel coronavirus ("COVID-19") pandemic and measures intended to prevent or mitigate its spread, and our ability to accurately assess and predict such impacts on our results of operations, financial condition, acquisition and disposition activities, and growth opportunities;
- 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 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 under the heading “Risk Factors."

- our strategy, outlook and growth prospects;
- general economic trends and trends in the industry and markets in which we operate;
- public heath crises, including the COVID-19 pandemic;
- our dependence on, and our ability to establish and maintain business relationships with, third-party suppliers and service suppliers;
- the competitive environment in which we operate;
- our vulnerability to third-party transportation risks;
- the impact of governmental laws and regulations and the outcomes of regulatory or agency proceedings;
- our ability to accurately estimate demand for our products and maintain appropriate levels of inventory;
- our ability to maintain or improve our operating margins and meet sales expectations;
- our ability to adapt to changes in consumer spending and general economic conditions;
- our ability to use or license certain trademarks;
- our ability to maintain consumer brand recognition and loyalty of our products;
- our and our customers’ ability to establish or maintain banking relationships;
- fluctuations in U.S. federal, state, local and foreign tax obligation and changes in tariffs;
- our ability to address product defects;
- our exposure to potential various claims, lawsuits and administrative proceedings;
- contamination of, or damage to, our products;
- any unfavorable scientific studies on the long-term health risks of vaporizers, electronic cigarettes, or cannabis or hemp-derived products, including 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 ability to generate adequate cash from our existing business to support our growth;
- our ability to raise capital on favorable terms, or at all, to support the continued growth of the business;
- our ability to protect our intellectual property rights;
- our dependence on continued market acceptance of our products by consumers;
- our sensitivity to global economic conditions and international trade issues;
- our ability to comply with certain environmental, health and safety regulations;
- our ability to successfully identify and complete strategic acquisitions;
- natural disasters, adverse weather conditions, operating hazards, environmental incidents and labor disputes;
- increased costs as a result of being a public company; and
- our failure to maintain adequate internal controls over financial reporting.

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

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

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:

- 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. Furthermore, our corporate culture has contributed to our success, and if we cannot maintain this culture, we could lose the innovation, creativity, and teamwork fostered by our culture, and our business may be harmed.
- We will likely 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.
- Substantial sales and issuances of our Class A common stock have and may continue to occur, or may be anticipated, which have caused and could continue to cause our stock price to decline.
- The market for vaporizer products and related items is a niche market, subject to a great deal of uncertainty and is still evolving.
- We depend on third-party suppliers for our products and may experience supply shortages.
- 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.
- There is uncertainty related to the regulation of vaporization products and certain other consumption accessories at all levels of government. 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. Increased regulatory compliance burdens could have a material adverse impact on our business development efforts and our operations.
- Demand for the products we distribute could decrease if the suppliers of these products were to substantially the amount of goods sold directly to consumers in the sectors we serve, including direct to consumer sales conducted online.
- We may not be able to maintain existing supplier relationships or favorable terms with 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 do not have long-term contracts with most of our customers. The agreements that we do have typically do not commit our customers to any minimum purchase volume. The loss of a significant customer may have a material adverse effect on us.
- We may not be successful in maintaining the consumer brand recognition and loyalty of our products.
- Public health epidemics, pandemics or outbreaks, including the recent COVID-19 pandemic, could adversely affect our business.
- Our business, and the business of the suppliers from which we acquire the products we sell, requires compliance with many laws and regulations in many jurisdictions globally across multiple product categories. Failure to comply with these laws and regulations could subject us or such suppliers to regulatory or agency proceedings, prosecutions, or investigations and could also lead to damage awards, fines and penalties.
- 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 on the basis that such products violate the Federal Paraphernalia Law. While we believe the products that we import do not violate such law, 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 pursuant to state laws in the United States or national and provincial laws in Canada. 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.
- 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.
- 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.
- The scientific community has not yet extensively studied the long-term health effects of the use of vaporizers, electronic cigarettes or e-liquids products.
- Our failure to meet the continued listing requirements of Nasdaq could result in a de-listing of our 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.

PART I

ITEM 1. BUSINESS

General

Founded in 2005, Greenlane is the premier global platform for the development and distribution of premium cannabis accessories, child-resistant packaging, vape solutions, and lifestyle products. In August 2021, we completed our transformational merger with KushCo Holdings, Inc. ("KushCo"), creating the leading ancillary cannabis company and house of brands. The combined company serves a diverse and expansive customer base with more than 8,500 retail locations, which includes many of the leading multi-state-operators ("MSOs") and licensed producers ("LPs"), the top smoke shops in the United States, and millions of consumers globally. In addition to enhancing our financial size and scale, along with creating an optimized platform with significant potential revenue and cost saving synergies, the merger strengthened our best-in-class proprietary owned brands and exclusive third-party brand offerings.

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 Greenlane Brands are comprised of child-resistant packaging innovator Pollen Gear; EYCE silicone pipes; DaVinci vaporizers; VIBES rolling papers; the Marley Natural accessory line; the K.Haring Glass Collection accessory line; Aerospaced & Groove grinders; and Higher Standards, which is both an upscale product line and an innovative retail experience with flagship stores at New York City's famed Chelsea Market and the iconic Malibu Village in California. We also own and operate several industry-leading e-commerce platforms, including Vapor.com, Higherstandards.com, Aerospaced.com, DaVincivaporizer.com, Harringglass.com, Eycemolds.com, Canada.Vapor.com, Vaposhop.com, and recently-acquired Puffitup.com. These e-commerce platforms offer convenient, flexible shopping solutions directly to consumers.

During 2021, we took significant strides to grow our Greenlane Brands portfolio including with the March acquisition of substantially all of the assets of Eyce LLC ("Eyce") and more recently, in November 2021, the acquisition of substantially all of the assets of Organicix, LLC (d/b/a and hereinafter referred to as "DaVinci"). Furthermore, as a pioneer in the ancillary cannabis space, Greenlane is the partner of choice for many of the industry's leading MSOs, LPs, and brands, including PAX Labs, Grenco Science, Storz & Bickel, Firefly, Santa Cruz Shredder, Cookies, and CCELL.

We merchandise vaporizers, packaging, and other products in the United States, Canada and Europe and we distribute to retailers through wholesale operations and to consumers through e-commerce activities and our retail stores. We operate distribution centers in the United States, Canada, and Europe. With the completion of the distribution center consolidation and the merger with KushCo, we have established a lean and scalable distribution network that leverages a mix of leased warehoused spaces in California and Massachusetts along with third-party logistics ("3PL") locations in the United States, Canada, and Europe.

Following the successful completion of the KushCo merger, we have been reorganizing our business into 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—through both our proprietary brands, including Eyce, DaVinci, VIBES, Marley Natural, Keith Haring, and Higher Standards, as well as lifestyle products and accessories from leading brands, like PAX, 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. In addition to our Consumer Goods segment, we have our Industrial Goods segment, which 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 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 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, 2021, owned a 79.7% 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 storage 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 and sizable opportunities for market participants, including us.

U.S. Cannabis Landscape

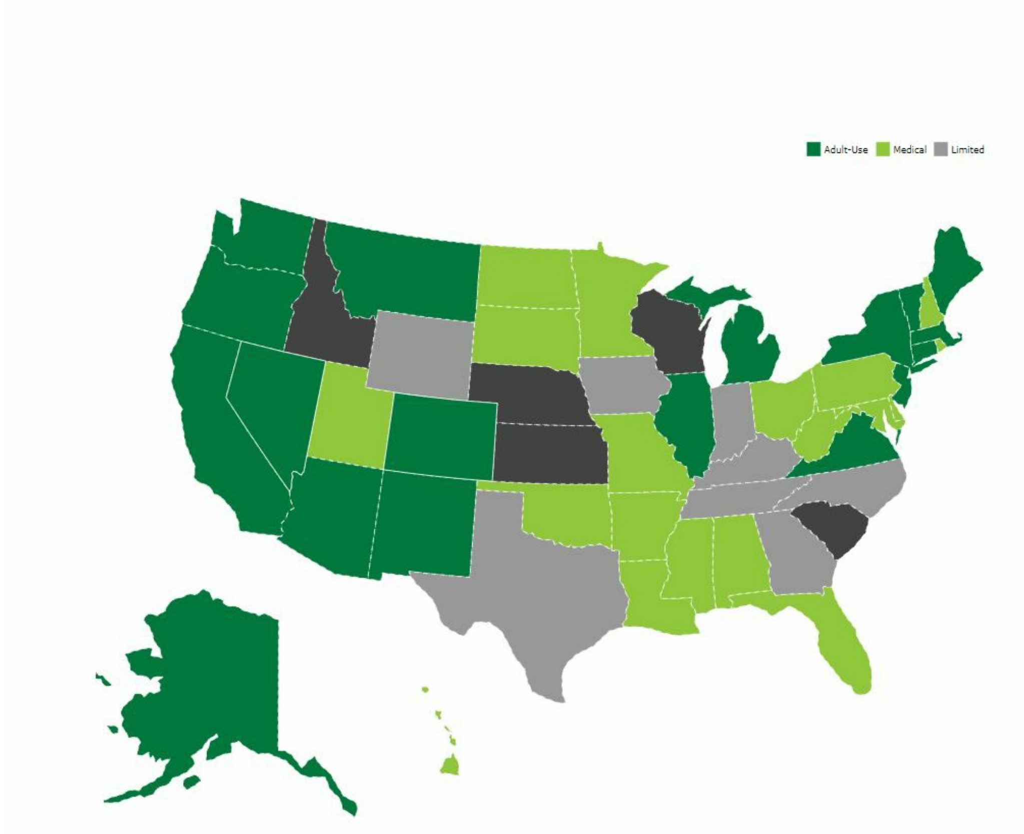
A January 2022 report of Cowen and Company, one of the leading investment banks and equity research firms serving the cannabis industry, estimated that spending in the U.S. legal cannabis market was approximately $18.9 billion in 2020 and reached approximately $25.3 billion in 2021, representing growth 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 distribute will grow in tandem with the industry.

The North American Cannabis Landscape

United States and Territories. Eighteen states, and the District of Columbia, have legalized cannabis for non-medical adult use with additional states, such as Oklahoma and Pennsylvania, actively considering the legalization of cannabis for non-medical adult use. An additional twenty-six 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. Only six states continue to prohibit cannabis entirely. 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." 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.

We believe support for cannabis legalization in the United States is gaining momentum. According to a November 2021 poll by Gallup, public support for the legalization of cannabis in the United States has increased from approximately 12% in 1969 to approximately 68% in 2021. In 2020, five states passed ballot initiatives legalizing either adult use or medical cannabis. In 2021, Connecticut, New Mexico and Virginia legalized adult use cannabis, in addition to several more states legalizing medical cannabis, further evidencing the continued momentum of state legalization initiatives, as well as the public's support for cannabis legalization.

The following map from the National Cannabis Industry Association illustrates the states that have fully legalized adult-use cannabis (for medical and recreational purposes), states that have partially legalized cannabis (for medical purposes only), and states that have legalized cannabis use in a limited capacity (as of February 17, 2022).



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. 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 Québec and 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 of approximately $37.0 billion in annual sales by 2027, a significant growth from approximately $3.5 billion in 2020.

Currently, Germany, Italy, Austria, Czech Republic, Finland, Portugal, Spain, the Netherlands, Denmark, Greece, Croatia, North Macedonia, Poland, Turkey, Malta, Romania, Belgium, Estonia, Lithuania, Moldova, Norway, San Marino, Sweden, Switzerland, Luxembourg, Cyprus, France, the U.K and Ireland 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, to rolling papers and apparel lines. As our product offerings continue to develop and expand, 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 have elements that are designed to quickly heat material, causing vaporization to occur without the carbon dioxide that is typically generated through any 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 ingredients. Common ingredients used in vaporizers include 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 offering spans over 230 distinct products across 30 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 the material to the user’s desired temperature setting. Portable vaporizers, of which 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, among others, 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 27 brands, including our own proprietary Higher Standards, Marley Natural and K. Haring Glass 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, which is then inhaled by the user. Water pipes include large table-top models, bubblers and rigs, and are more complex because they 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 17 brands, inclusive of Greenlane Brand's own Vibes Rolling Papers brand, 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 over 8,500 retail locations, including, licensed cannabis dispensaries, smoke 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 several industry-leading e-commerce platforms, including Higherstandards.com, Aerospaced.com, DaVincivaporizer.com, Vaposhop.com, and Eycemolds.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 Industrial Goods and Consumer Goods business segments. This allows us to influence customer demand and the pipeline between product manufacturers, suppliers, advertisers and the marketplace.

Comprehensive and Best-in-Class Product Offering.

We offer a curated portfolio of products and accessories across all 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 every sales representative with an extensive and ongoing education, and have successfully developed programs that provide comprehensive product knowledge and the tools needed to have a unique understanding of our customers’ personalities 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.

Suppliers. Our industry knowledge, market reach and resources allow us to establish trusted professional relationships with many of our product suppliers. We generate substantially all of our net sales from products manufactured by others. We have strong relationships with many large, well-established suppliers, and seek to establish distribution relationships with smaller or more recently established manufacturers in our industry. While we purchase our products from over 300 suppliers, a significant percentage of our net sales is dependent on sales of products from a small number of key suppliers. We believe there is a trend of suppliers in our industry to consolidate their relationships to do more business with fewer distributors. We believe our ability to help maximize the value and extend the distribution of our suppliers’ products has allowed us to benefit from this trend. The efforts of our senior management team have been integral to our relationships with our suppliers.

Employees. We provide our employees with an entrepreneurial culture, a safe work environment, financial incentives and career development opportunities.

Experienced and Proven Management Team Driving Organic and Acquisition Growth.

We believe our management team is among the most experienced in the industry. Our senior management team brings experience in cannabis, accounting, mergers and acquisitions, financial services, consumer-packaged goods, retail operations, third-party logistics, information technology, product development and specialty retail, and an understanding of the cultural nuances of the industry that we serve.

Our Operating Strategies

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

2022 Plan to Accelerate Path to Profitability and Capitalize the Business

In March 2022, we implemented a new strategic plan (the "2022 Plan") to accelerate our path to profitability and capitalize the business in a non-dilutive manner by reducing our headcount and facility footprint, selling the Company's headquarters, disposing non-core assets, discontinuing and selling lower-margin third-party brands, and securing an asset based loan to support the Company's long-term working capital needs.

Management believes that the 2022 Plan 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.

Developing A World-Class Portfolio of Proprietary Brands.

We intend to continue to develop a portfolio of our own proprietary brands, which over time has helped to improve our blended margins and create 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 stores. Currently, we sell such products directly to consumers through our brand websites and our e-commerce properties. Our existing proprietary Greenlane Bands include VIBES Rolling Papers, Eyce silicone pipes, DaVinci vaporizers, Pollen Gear, the Marley Natural accessory line, Aerospaced & Groove grinders, Marley Natural, K. Haring Glass Collections, and Higher Standards.

In creating, acquiring, and expanding our proprietary brands, we intend to stay mindful of our key supplier relationships and to identify opportunities within our product portfolio and in the market where we can introduce or acquire compelling products that do not directly compete with the products of our core suppliers.

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 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 proprietary branded products. We are committed to supporting our proprietary brands, such as DaVinci, Eyce, Higher Standards, VIBES and Pollen Gear, which offer significantly higher gross margins than supplier-branded products.

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 more than 8,500 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 associates, broad product offerings, high inventory availability, timely delivery and exceptional customer services. 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.

Execute on Identified Operational Initiatives.

We continue to evaluate operational initiatives to improve our profitability, enhance our supply chain efficiency, strengthen our pricing and category management capabilities, streamline and refine our marketing process and invest in more sophisticated information technology systems and data analytics. In addition, we continue to further automate our distribution facilities and improve our logistical capabilities. We are also taking steps to transition to a more centralized model with fewer, larger, highly automated facilities. Prior to our merger with KushCo, KushCo made significant progress in 2021 towards this goal through closing two 3PL facilities and five self- managed warehouses (Washington, Michigan, and California), as well as consolidating into our new Moreno Valley, single-site California warehouse, which will streamline processes and further reduce operational costs going forward. We believe we will continue to benefit from these and other operational improvements.

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 2, 2021, we acquired substantially all the assets of Eyce, which further diversified our Greenlane Brand offerings through the integration of Eyce premium silicon smoking products and accessories. Effective November 30, 2021, we acquired DaVinci, which expanded our Greenlane Brands portfolio and intellectual property pipeline through the integration of DaVinci 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, while in our sales and marketing teams, we have built a vibrant and 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 15, 2022, we had 256 full-time employees. Approximately 200 were employed in the U.S., 2 were employed in Canada, and 54 were employed in EuropeNone 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 reduction in force in March 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.

Employee Health and Safety during COVID-19

The health and safety of our employees is a top priority for us. During COVID-19, we were deemed an essential industry and as a result, we were very active in monitoring and tracking all relevant data, including guidance from local, national, and international health agencies. Our actions included:

- Allowing employees to work remotely where feasible;
- Implemented enhanced safety measures including mandatory face coverings, physical distance requirements, temperature checks, deep cleaning and disinfectant protocols, and hand sanitizing stations for employees continuing critical on-site work at all locations;
- Provide employee-wide training on COVID-19 safety measures;
- Restrict company travel to essential business travel that requires prior multi-level approvals.

Our Human Resources and Safety teams are continuing to communicate to our employees as more information is available and continues to evaluate our operations considering federal, state, and local guidance.

Culture and Engagement

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 and Pay Equity

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. In addition to our competitive salaries, to enhance our employees' sense of participation in the company and to further align their interests with those of our stockholders, we offer equity packages to all employees.

Development and Retention

We strive to hire, develop, and retain talent that continuously raises the performance bar. We 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. We currently serve over 8,500 of these retail locations. 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.

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 competitors' websites rank in many search categories below our primary e-commerce website, Vapor.com, which has its own dedicated design, social media and search engine optimization ("SEO") teams. 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, VIBES, Aerospaced, Groove, Pollen GearTM, Eyce, and most recently DaVinci. We also license certain trademarks and other intellectual property, most notably those associated with our Marley Natural and K. Haring Glass Collection brands. Solely for convenience, trademarks and trade names referred to in this Form 10-K 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 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. Other states appear likely to legalize either medical or adult-use cannabis in 2022 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, 27 states and the District of Columbia have recently adopted laws imposing taxes on liquid nicotine. Additionally, at least eleven 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 300, 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 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. We periodically provide other information for investors on our corporate website, www.gnln.com, and our investor relations website, 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 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

Due to our low cash balance and negative cash flow, unless we raise additional capital we may have to further reduce our costs by curtailing future operations to continue as a business, and substantial doubt may be raised about our ability to continue as a going concern.

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. It is possible that we may not be able to find financing in the capital markets or from lenders on acceptable terms or at all in the future. 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 March 2022, we announced a reduction in headcount and our intent to pursue certain other cost saving initiatives, conducting a sale leaseback of our headquarters, discontinuing lower-margin sales, raising prices and securing an asset backed loan. We can provide no assurances that we will be successful in executing such cost saving measures or that such cost-saving measures will be sufficient even if successfully effected. These measures could materially and adversely affect our ability to operate profitably. 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.

We will likely 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 certain business activities.

Because we have not had access to the debt markets on attractive terms, 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. For example and as described in greater detail below, in December 2021 following negotiation with traditional financial institutions, we elected to enter 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 agreed to provide us with an $8.0 million bridge loan at a simple interest rate of 15.0% (the "Bridge Loan"). 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.

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, and we expect them to continue to be 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 retain key personnel and hire, train and retain qualified employees, we may not be able to compete effectively, which could result in reduced revenue or increased costs.

Our success is highly dependent on the continued services of key management and technical personnel. Our management and other employees may voluntarily terminate their employment at any time upon short notice. The loss of the services of any member of the senior management team, including our Chief Executive Officer, Nicholas Kovacevich; our Chief Financial Officer, William Mote; our Chief Operating Officer, Rodrigo de Oliveira; our General Counsel, Douglas Fischer; or any of the managerial or technical staff may significantly delay or prevent the achievement of product development, our growth strategies and other business objectives. Additionally, the recently announced departure of Adam Schoenfeld, our Chief Marketing Officer (effective March 31, 2022), may impede the achievement of our objectives. 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.

Our failure to meet the continued listing requirements of Nasdaq could result in a de-listing of our common stock.

If we fail to continue to satisfy the continued listing requirements of Nasdaq, such as the corporate governance 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, the ongoing outbreak of COVID-19, recent volatility in the financial markets generally due to the expectation of a tightening in monetary policy by the U.S. Federal Reserve and other geopolitical events, the per share price of our Class A common stock has declined below the minimum bid price threshold required for continued listing. Such a de-listing would likely have a negative effect on the price of our Class A common stock and would impair your ability to sell or purchase our Class A common stock when you wish to do so, as well as adversely affect our ability to issue additional securities and obtain additional financing in the future.

On February 25, 2022, we received a deficiency notice from Nasdaq (the “Deficiency Notice”) informing us that our Class A common stock had failed to comply with the $1.00 minimum bid price required for continued listing under Nasdaq Listing Rule 5550(a)(2) (“Rule 5550(a)(2)”) based upon the closing bid price of our Class A common stock for the 30 consecutive business days prior to the date of the Deficiency Notice. In accordance with Nasdaq Listing Rule 5810(c)(3)(A), we have been given 180 calendar days from February 25, 2022, or until August 24, 2022, to regain compliance with Rule 5550(a)(2). If at any time before August 24, 2022, the bid price of our Class A common stock closes at $1.00 per share or more for a minimum of 10 consecutive business days, the Nasdaq will provide written confirmation that we have regained compliance.

If we do not regain compliance with Rule 5550(a)(2) by August 24, 2022, 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.

We have at times experienced rapid growth, both domestically and internationally, and expect continued future growth, including growth from additional acquisitions. 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. Furthermore, our

corporate culture has contributed to our success, and if we cannot maintain this culture, we could lose the innovation, creativity, and teamwork fostered by our culture, and our business may be materially and adversely affected.

Our success will depend, in part, on our ability to manage our business and its growth, both domestically and internationally, including the integration of KushCo following the merger. 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.

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, recent 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 extended 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, epidemics/pandemics, such as the coronavirus (COVID-19), 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. In November 2021 we completed the acquisition of DaVinci, which further supplemented our existing vaporization product offerings. Our historical experience in these markets does not ensure that we will be able to successfully operate expended 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, PAX Labs, Grenco Science, and Storz & Bickel. For example, products manufactured by CCELL represented approximately 15.2% and —% of our net sales in the years ended December 31, 2021 and 2020, respectively, and products manufactured by PAX Labs represented approximately 10.7% and 14.5% of our net sales in the years ended December 31, 2021 and 2020, respectively. Products manufactured by Grenco Science represented approximately 9.0% and 13.5% of our net sales in the years ended December 31, 2021 and 2020, respectively, and products manufactured by Storz & Bickel represented approximately 9.6% and 12.7% of our net sales in the years ended December 31, 2021 and 2020, 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.

Additionally, as discussed elsewhere in these Risk Factors and under the heading Regulatory Developments, the Consolidated Appropriations Act, 2021 expanded the range of products encompassed by the Prevent All Cigarette Trafficking Act (the "PACT Act") to include ENDS. This development could severely restrict our ability to ship many of the products we sell, as well as place costly regulatory burdens on such shipments.

At the state level, over 25 states have implemented statewide regulations that prohibit vaping in public places. As discussed elsewhere in these Risk Factors and under the heading Regulatory Developments, a number of states and cities have also 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.

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 a 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. Notably, in Prince Edward Island, as of March 1, 2020, the minimum age for purchasing nicotine products increased to age 21, and on August 11, 2020, PEI adopted a regulation to ban the sale of all flavored vaping products, effective March 1, 2021. Other provinces continue to review the prospect of adopting new regulations addressing nicotine vaping products.

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. Such a disruption may occur for many reasons, including but not limited to the current COVID-19 pandemic. 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 results of factors outside of our control, including the COVID-19 pandemic, 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, PAX Labs 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 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 in Canada 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 21.8% and 9.8% of our net sales for the years ended December 31, 2021 and 2020, 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, including the COVID-19 pandemic 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 occasionally 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 tobacco, nicotine, 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. For example, JUUL Labs has been the subject of significant negative publicity. 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 tobacco and vaporization industries.

In addition to the FDA regulations concerning tobacco and vaporizer products discussed elsewhere in this Annual Report on Form 10-K, 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 tobacco or nicotine 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.

Some of the products we sell contain nicotine, which is considered to be a highly-addictive substance, or other chemicals that some jurisdictions have determined to cause cancer and birth defects or other reproductive harm.

Some of our products, like the JUUL nicotine vaporizers, contain nicotine, a chemical that is considered to be highly addictive. The Tobacco Control Act empowers the FDA to regulate the amount of nicotine found in tobacco products (including vaporizers), but not to require the reduction of nicotine yields of a tobacco product to zero; similar legislation in Canada empowers the Canadian government and provincial governments to limit the amount of nicotine in tobacco and vaporizer products. In addition, the State of California has determined that some chemicals found in certain vaporizers, as well as materials frequently consumed by using vaporizers (such as cannabis), cause cancer and birth defects or other reproductive harm. New federal, state or provincial regulations, whether of nicotine levels or other product attributes, may require us to recall and/or discontinue certain of the products we sell, which may have a material adverse effect on our ability to market our products and 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.

Public health epidemics, pandemics or outbreaks, including the ongoing COVID-19 pandemic, the recent spread of the Delta variant and Omicron variants and measures intended to prevent their spread, could materially and adversely affect our business.

Public health epidemics, pandemics or outbreaks, and the resulting business or economic disruptions resulting therefrom, could adversely impact our business as well as our ability to raise capital. In December 2019, COVID-19 was identified in Wuhan, China. The virus has been declared a pandemic by the World Health Organization. The impact of this pandemic has been and will likely continue to be extensive in many aspects of society, which has resulted in and will likely continue to result in significant disruptions to the global economy, as well as businesses and capital markets around the world. The extent to which COVID-19, the recent spread of the Delta and Omicron variants, impacts our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration, spread and intensity of the pandemic, the timing and effectiveness of vaccines and other treatments, possible resurgences in COVID-19 cases, and the duration of government measures to mitigate the pandemic, all of which are uncertain and difficult to predict. COVID-19 has and will likely continue to result in social, economic and labor instability in the countries in which we or the third parties with whom we engage operate. While we cannot presently predict the scope and severity of any potential business shutdowns or disruptions, 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 COVID-19 pandemic has also caused, and is likely to continue to cause, severe economic, market and other disruptions worldwide. We cannot assure you that conditions in the bank lending, capital and other financial markets will not deteriorate as a result of the pandemic, or that our access to capital and other sources of funding will not become constrained, which could adversely affect the availability and terms of future borrowings, renewals or refinancings.

Adverse U.S., Canadian and global economic conditions 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. These conditions include interest rates, energy costs, inflation, international trade relationships, recession, fluctuations in debt and equity capital markets and the general condition of the U.S., Canadian and global economies. A material decline in the economic conditions affecting consumers, such as the initial downturn in the global economy due to COVID-19 and uneven economic recovery since, which cause 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 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, 44 states and the District of Columbia permit some form of cannabis cultivation, sales, and use for certain medical purposes (“medical states”). Eighteen of those states and the District of Columbia have also legalized cannabis for adults for non-medical purposes (sometime 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. That protection has been extended through September 30, 2021 through recent appropriations bill. 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, 2017.

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 and Alberta, 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. The FDA has signaled that it will likely issue further guidance and/or issue regulations concerning CBD products, although the contents and timing of such guidance and regulations remain unknown.

We currently distribute 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 six 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 nine 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 to 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.

Increases in tobacco-related taxes, which at times apply to vaporizers not used with tobacco or nicotine, have been proposed or enacted and are likely to continue to be proposed or enacted in numerous jurisdictions.

Tobacco products, premium cigarette papers and tubes have long been subject to substantial federal, state, provincial and local excise taxes. Such taxes have frequently been increased or proposed to be increased, in some cases significantly, to fund various legislative initiatives or further disincentivize smoking.

In addition to federal excise taxes, every state and certain city and county governments have imposed substantial excise taxes on sales of tobacco and vaporization products, and many have raised or proposed to raise excise taxes in recent years. Tax increases, depending on their parameters, may result in consumers switching between vaporizer products or depress overall vaproizer sales, which is likely to result in declines in overall sales volumes in certain of our products.

Any future enactment of increases in federal, provincial or state excise taxes on tobacco or vaporizer products or rulings that certain of our products should be categorized differently for excise tax purposes could adversely affect demand for our products and may 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 our officers, directors and stockholders.

Certain of our executive officers and directors and their affiliates 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 $0.1 million and $0 in products and supplies to Unrivaled Brands Inc. ("Unrivaled") in the years ended December 31, 2021 and 2020, respectively. Nicholas Kovacevich, our Chief Executive Officer, and Dallas Imbimbo, who serves on our Board, are investors in Unrivaled and members of its board of directors.

Adam Schoenfeld, our Chief Marketing Officer and Board Director, has a significant ownership interest in one of our customers, Universal Growing. Net sales to Universal Growing for the years ended December 31, 2021 and 2020 totaled $0.2 million and $0.1 million, respectively.

Additionally, as described above, in December 2021 we entered into the Bridge Loan with Aaron LoCascio, our co-founder, former Chief Executive Officer and President, and a current director of the Company. The Bridge Loan is 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 includes negative covenants restricting our ability to incur further indebtedness and engage in certain asset dispositions until the earlier of June 30, 2022 or the Bridge Loan has been fully repaid. 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 and the Bridge Loan was approved by the Audit Committee of the Board, Messrs. Kovacevich, Imbimbo and LoCascio may have conflicting fiduciary duties between us, Unrivaled and their own personal financial interests, for which they must recuse themselves 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.

If we were to default on the Bridge Loan, Aaron LoCascio, our former Chief Executive Officer and President and a current director, could foreclose on our assets.

As described above, the Bridge Loan is secured by a continuing security interest in all of our assets and properties, including our inventory and receivables, and restricts our ability to incur further indebtedness and engage in certain asset dispositions until the Bridge Loan has been fully repaid. In the event that we were to default on this debt and Aaron LoCascio foreclosed on our assets, we would be unable to continue our operations as they are presently conducted, if at all. Our aggregate total debt to Mr. LoCascio under the Bridge Loan at December 31, 2021 was $8.0 million. See "Note 6—Debt" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K for further discussion of the Bridge Loan.

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, 2021 and 2020, we derived 12.3% and 20.8%, 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. The list focused on products from industrial sectors that contribute to or benefit from the "Made in China 2025" industrial policy. The list of products consists of two sets of tariff lines. The first set contains 818 tariff lines for which Customs and Border Protection began collecting the additional duties on July 6, 2018. This list includes some of the products we distribute. The second set contains 284 proposed tariff lines that remain subject to further review. On July 10, 2018, the USTR announced that, as a result of China's retaliation and failure to change its practices, President Trump has ordered the USTR to begin the process of imposing tariffs of 10 percent on an additional $200 billion of Chinese imports, and on September 17, 2018, President Trump announced that such tariffs would go into effect on September 24, 2018 and would increase to 25 percent on January 1, 2019. However, in early December 2018, President Trump agreed to leave the tariffs at the 10 percent rate while the United States and China entered into negotiations regarding various trade-related matters.

These new 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 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 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 the vaporization products, packaging, and consumption accessories 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 are in the process of a multi-year implementation of a new ERP system and expect to fully transition to the new ERP during 2022. This ERP system will replace our existing operating and financial systems. 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 experienced complications and disruptions to our business and operations during the transition from our legacy systems. For example, we have seen our order processing become significantly impacted by this transition.

We may not be able to successfully implement the ERP system without experiencing further delays, increased costs and other difficulties. If we are unable to successfully design and implement the new ERP system as planned, our financial position, results of operations and cash flows could be negatively impacted. Additionally, if we do not effectively implement the ERP system as planned or 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.

Changes to the base rate on our floating rate indebtedness could increase our borrowing costs.

As of December 31, 2021, approximately $8.0 million of our outstanding indebtedness bears interest at floating rates based on the London interbank offered rate ("LIBOR") and has maturity dates beyond December 31, 2021. The use of LIBOR was phased out at the end of 2021, although the phase out of U.S. dollar LIBOR has been delayed until mid-2023. Currently, no official replacement rate has been identified. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates. The nature of any replacement rate and the impact of the transition from LIBOR on us and the financial markets generally are unknown and could result in interest rate increases on our debt, which could adversely affect our cash flow and operating results.

Risks Related to the Integration of KushCo

The combined company incurred and may continue to incur significant transaction and merger-related costs in connection with the merger.

We incurred and may continue to incur costs associated with combining our operations with those of KushCo. We formulated and are executing on detailed integration plans to deliver planned synergies. Additional unanticipated costs may be incurred in the integration of our business with that of KushCo. We may continue to incur substantial expenses in pursuit of completing our plans. Although we expect the that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, may offset incremental transaction and merger-related costs over time, the net benefit may not be achieved in the near term, or at all.

Post-merger integration of the two companies may distract the Company's management team from its other responsibilities.

Post-merger integration of the two companies could cause our management to focus their time and energies on matters related to integration that otherwise would be directed to our business and operations. Any such distraction on the part of our management, if significant, could affect our management's ability to service existing business and develop new business and adversely affect the combined company's business and earnings.

Post-merger integration and operations may fail to achieve expected results.

The success of the merger with KushCo depends heavily on a smooth post-merger integration and operations of the combined company. Benefits of the transaction to shareholders may not be realized if the post-merger integration and operations are not well executed or well received by each company's historical customers.

We may fail to realize the cost savings and synergies we expect to achieve from the merger.

The success of the merger depends, in part, on our ability to realize the estimated cost savings from combining our business with KushCo's. While we believe that the cost savings and synergies are achievable, it is possible that the potential cost savings could be more difficult to achieve than we anticipate. Our cost savings estimates also depend on our ability to combine our business with that of KushCo in a manner that permits those cost savings and synergies to be realized. If our estimates are incorrect or we are unable to integrate KushCo successfully, the anticipated cost savings and synergies may not be realized fully, or at all, or may take longer to realize than expected.

Combining our business with KushCo's may be more difficult, costly, or time-consuming than expected.

We and KushCo operated, until the completion of the merger, independently. Since the completion of the merger, the combination process could result in the loss of key employees, the disruption of our ongoing business, and inconsistencies in standards, controls, procedures and policies that adversely affect the Company's ability to maintain relationship with customers and employees or achieve the anticipated benefits of the merger. As with any merger, there may also be disruptions that cause the combined company to lose customers or other unintended consequences that could have a material adverse effect on our results of operations or financial condition.

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, including payments under the Tax Receivable Agreement (the "TRA"). 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 Common Units of the Operating Company. As such, we will have no independent means of generating revenue or cash flow. Our ability to pay our operating expenses, including taxes and payments under the TRA, 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, including us. Accordingly, we will incur income taxes on our allocable share of 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 will be obligated to make tax distributions to holders of Common Units, including us. In addition to tax expenses, we will also incur expenses related to our operations, including payments under the TRA, which we expect could be significant. We intend, as its manager, to cause the Operating Company to make cash distributions to the owners of Common Units in an amount sufficient to (i) fund their tax obligations in respect of taxable income allocated to them and (ii) cover our operating expenses, including payments under the TRA. 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. To the extent that we are unable to make payments under the TRA for any reason, such payments generally will be deferred and will accrue interest until paid; provided, however, that nonpayment for a specified period may constitute a material breach of a material obligation under the TRA and therefore accelerate payments due under the TRA.

The TRA requires us to make cash payments to them in respect of certain tax benefits to which we may become entitled, and we expect that the payments we will be required to make will be substantial.

Under the TRA we entered into with the Operating Company and the members, including our co-founders and current directors, Mr. LoCascio and Mr. Schoenfeld, 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 the actual timing and amount of any payments that we make to the members under the TRA will vary, we expect those payments will be significant. Any payments made by us to the members under the TRA may generally reduce the amount of overall cash flow that might have otherwise been available to us. Furthermore, our future obligation to make payments under the TRA could make us a less attractive target for an acquisition, particularly in the case of an acquirer that cannot use some or all of the tax benefits that are the subject of the TRA. 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 timing of redemptions or exchanges by the holders of Common Units, the amount of gain recognized by such holders of Common Units, the amount and timing of the taxable income we generate in the future, and the federal tax rates then applicable.

Our co-founders, Aaron LoCascio and Adam Schoenfeld, have substantial influence over all stockholder decisions because collectively they hold a substantial percentage of the voting power of our Class A common stock and Class B common stock. This will limit your ability to influence corporate matters, including the election of directors, amendments of our organizational documents and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval.

Aaron LoCascio and Adam Schoenfeld each serve as members of our Board, and they and their affiliates beneficially owned approximately 17% of our Class A common stock and Class B common stock, and thereby collectively controlled approximately 17% of the voting power of our common stock as of December 31, 2021.

As a result, Messrs. Schoenfeld and LoCascio will have the ability to substantially influence us, including the ability to substantially influence any action requiring the approval of our stockholders, including, but not limited to, the election of directors, the adoption of amendments to our amended and restated certificate of incorporation and bylaws and the approval of any merger or sale of substantially all of our assets. This concentration of ownership and voting power may also delay, defer or even prevent an acquisition by a third party or other change of control of us and may make some transactions more difficult without their support, even if such events are in the best interests of other stockholders. This concentration of voting power with Messrs. Schoenfeld and LoCascio may have a negative impact on the market price of our Class A common stock.

As members of our Board, Messrs. LoCascio and Schoenfeld owe fiduciary duties to our company, including those of care and loyalty, and must act in good faith and with a view to the interests of the corporation. However, Delaware law provides that a director or officer shall not be personally liable to a corporation for a breach of fiduciary duty except for an act or omission constituting a breach and which involves intentional misconduct, fraud or a knowing violation of law. As a stockholder, each of Messrs. LoCascio and Schoenfeld is entitled to vote his shares, and shares over which he has voting control, in his own interests, which may not always be in the interests of our stockholders generally. Because Messrs. LoCascio and Schoenfeld hold their economic interest in our business through the Operating Company, rather than through the public company, they may have conflicting interests with holders of shares of our Class A common stock. For example, Messrs. LoCascio and Schoenfeld may have different tax positions from us, which could influence their decisions regarding whether and when we should dispose of assets or incur new or refinance existing indebtedness, especially in light of the existence of the TRA, and whether and when we should undergo certain changes of control within the meaning of the TRA or terminate the TRA. In addition, the significant ownership of Messrs. LoCascio and Schoenfeld in us and their resulting ability to influence us may discourage someone from making a significant equity investment in us, or could discourage transactions in which you as a holder of shares of our Class A common stock might otherwise receive a premium for your shares over the then-current market price.

Under certain circumstances, redemptions of Common Units by members will result in dilution to the holders of our Class A common stock.

Redemptions of Common Units by members in accordance with the terms of the Greenlane Operating Agreement will result in a corresponding increase in our membership interest in the Operating Company, an increase in the number of shares of Class A common stock outstanding and a decrease in the number of shares of Class B common stock outstanding.

As of December 31, 2021, the Operating Company members own 21,744,500 shares of Class B common stock, which are exchangeable for an equal amount of shares of Class A common stock in connection with a redemption of the corresponding Common Units, which would represent approximately 20.3% of our total outstanding Class A common stock if all members exchanged their Common Units for Class A common stock, and the members' corresponding Class B common stock were canceled. We are party to a registration rights agreement between us and the members, which will require us to effect the registration of their shares in certain circumstances.

Furthermore, we cannot predict the timing of any redemption of Common Units or the effect that such redemptions will have on the market price of our Class A common stock.

Our organizational structure, including the TRA, confers certain benefits upon the members that will not benefit Class A common stockholders to the same extent as it will benefit the members.

Our organizational structure, including the TRA, confers certain benefits upon the members that will not benefit the holders of our Class A common stock to the same extent as it will benefit the members. The TRA provides for the payment by us to the members of 85% of the amount of tax benefits, if any, that we actually realize, or in some circumstances are deemed to realize, as a result of (1) 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 (2) certain other tax benefits related to our making payments under the TRA. Although we will retain 15% of the amount of such tax benefits, this and other aspects of our organizational structure may adversely impact the future trading market for the Class A common stock.

In certain cases, payments under the TRA to the members may be accelerated or significantly exceed the actual benefits we realize in respect of the tax attributes subject to the TRA.

The TRA provides that upon certain mergers, asset sales, other forms of business combinations or other changes of control or if, at any time, we elect an early termination of the TRA, then our obligations, or our successor's obligations, under the TRA to make payments thereunder would be based on certain assumptions, including an assumption that we would have sufficient taxable income to fully utilize all potential future tax benefits that are subject to the TRA.

As a result of the foregoing, (i) we could be required to make payments under the TRA that are greater than the specified percentage of the actual benefits we ultimately realize in respect of the tax benefits that are subject to the TRA, and (ii) if we elect to terminate the TRA early, we would be required to make an immediate cash payment equal to the present value of the anticipated future tax benefits that are the subject of the TRA, which payment may be made significantly in advance of the actual realization, if any, of such future tax benefits. In these situations, our obligations under the TRA could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. There can be no assurance that we will be able to fund or finance our obligations under the TRA.

We will not be reimbursed for any payments made to the members under the TRA in the event that any tax benefits are disallowed.

Payments under the TRA will be based on the tax reporting positions that we determine, and the IRS or another tax authority may challenge all or part of the tax basis increases, as well as other related tax positions we take, and a court could sustain such challenge. If the outcome of any such challenge would reasonably be expected to materially affect a recipient's payments under the TRA, then we will not be permitted to settle or fail to contest such challenge without the consent (not to be unreasonably withheld or delayed) of each member that directly or indirectly owns at least 10% of the outstanding Common Units. We will not be reimbursed for any cash payments previously made to the members under the TRA in the event that any tax benefits initially claimed by us and for which payment has been made to a member are subsequently challenged by a taxing authority and are ultimately disallowed. Instead, any excess cash payments made by us to a member will be netted against any future cash payments that we might otherwise be required to make to such member under the terms of the TRA. However, we might not determine that we have effectively made an excess cash payment to a member for a number of years following the initial time of such payment and, if any of our tax reporting positions are challenged by a taxing authority, we will not be permitted to reduce any future cash payments under the TRA until any such challenge is finally settled or determined. As a result, payments could be made under the TRA in excess of the tax savings that we realize in respect of the tax attributes with respect to a member that are the subject of the TRA.

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, international trade disputes and broader supply chain delays, such as those currently impacting global distribution that disrupt our supply chain and the impact of health and safety concerns, such as the current COVID-19 outbreak the recent spread of the Delta and emergence of the Omicron variants and the potential spread of other future variants and measures intended to prevent their spread; novel and unforeseen market volatility and trading strategies, such as the massive short squeeze rally 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;
- 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 andadjusted 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 issuance of Class A common stock upon redemption of Common Units by members in the Operating Company;
- 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, strategic transactions or pursuant to our use of the ATM Program at prices that are dilutive to shareholders. Our 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 under the ATM Program 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. For instance, subject to certain limitations and exceptions, the members of the Operating Company may redeem their Common Units for shares of Class A common stock (in which case, their shares of Class B common stock will be cancelled on a one-to-one basis upon any such issuance), and then sell those shares of Class A common stock. 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, or we may be forced to continue to seek equity capital at dilutive prices through our ATM Program or otherwise 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, 2021.

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 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. The existence of any future material weakness in our internal control over financial reporting could also result in errors in our financial statements that could require us to 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.

Under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2021. Based upon their evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of December 31, 2021, our disclosure controls and procedures were not effective because of the material weaknesses in our internal control over financial reporting described in Item 9A of Part II of our Annual Report on Form 10-K for the year ended December 31, 2020, which have not yet been fully remediated as of December 31, 2021.

As described in Item 9A of Part II of this Annual Report on Form 10-K, 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 will replace our existing core financial systems, and which we expect will be completed in 2022. 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 2022, 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.

Additionally, we are in process of integrating KushCo into our system of internal control over financial reporting following the closing of the merger on August 31, 2021. As a result of these integration activities, certain processes, controls and procedures will be evaluated and may be revised. Under guidelines established by the SEC, companies are permitted to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition while integrating the acquired company. In conducting our evaluation of the effectiveness of our internal control over financial reporting, we excluded KushCo from our evaluation as of December 31, 2021.

Because we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm is 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. 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 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.

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.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We own our headquarters in Boca Raton, Florida with approximately 50,000 square feet of office space, which includes office space leased to third-party tenants. We have also entered into leases for distribution centers in the United States and Europe, administrative office locations in the United States and Europe, and retail stores in the United States and Europe. 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, 2021, see "Note 7—Commitments and Contingencies" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

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, 2021, there were approximately 98 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. As of December 31, 2021, there were approximately 14 stockholders of record of our Class B common stock.

Dividends

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

Unregistered Sales of Equity Securities

On October 21, 2021, we issued an aggregate of 50,000 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. 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

Overview

Founded in 2005, Greenlane is the premier global platform for the development and distribution of premium cannabis accessories, child-resistant packaging, vape solutions, and lifestyle products. In August 2021, we completed our transformational merger with KushCo, creating the leading ancillary cannabis company and house of brands. The combined company serves a diverse and expansive customer base with more than 8,500 retail locations, which includes many of the leading multi-state-operators and licensed producers, the top smoke shops in the United States, and millions of consumers globally. In addition to enhancing our financial size and scale, along with creating an optimized platform with significant potential revenue and cost saving synergies, the merger strengthened our best-in-class proprietary owned brands and exclusive third-party brand offerings.

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 Greenlane Brands are comprised of child-resistant packaging innovator Pollen Gear; VIBES rolling papers; the Marley Natural accessory line; the K. Haring Glass Collection accessory line; Aerospaced & Groove grinders; Cookies lifestyle line; and Higher Standards, which is both an upscale product line and an innovative retail experience with flagship stores at New York City's famed Chelsea Market and the iconic Malibu Village in California. During 2021, we have taken significant strides to grow our brand portfolio including with the March acquisition of substantially all of the assets of Eyce LLC and more recently, the November acquisition of substantially all of the assets of Organicix LLC dba DaVinci Tech. Furthermore, as a pioneer in the ancillary cannabis space, Greenlane is the partner of choice for many of the industry's leading MSOs, LPs, and brands, including PAX Labs, Grenco Science, Storz & Bickel, Firefly, Santa Cruz Shredder, Cookies, and CCELL.

We also own and operate several industry-leading e-commerce platforms, including Vapor.com, Higherstandards.com, Harringglass.com, Eycemolds.com, Vapor.ca, Vaposhop.com, and recently-acquired websites Puffitup.com and Davincivaporizer.com. These e-commerce platforms offer convenient, flexible shopping solutions directly to consumers.

We merchandise vaporizers, packaging, and other products in the United States, Canada, and Europe and we distribute to retailers through wholesale operations and to consumers through e-commerce activities and our retail stores. We operate distribution centers in the United States, Canada, and Europe. With the completion of the distribution center consolidation and the merger with KushCo, we have established a lean and scalable distribution network that leverages a mix of leased warehoused spaces in California and Massachusetts along with third-party logistics ("3PL") locations in the U.S., Canada, and Europe.

2022 Plan

On March 10, 2022, the Company announced via press release its 2022 Plan to reduced its cost structure, increase liquidity, and accelerate its path to profitability. The 2022 Plan includes a recently completed reduction in force, reduction of facility footprints worldwide, a sale leaseback of the Company's headquarter building, disposition of non-core assets, discontinuation of lower-margin third-party brands, increase of prices on select products, and the securing of an asset based loan that will support working capital needs.

Management believes that the 2022 Plan 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.

COVID-19

In December 2019, a novel strain of coronavirus known as COVID-19 was reported in Wuhan, China. In March 2020, the World Health Organization declared the outbreak of COVID-19 a pandemic. Since the outbreak of COVID-19, we have closely monitored developments and operated with the health and safety of our employees as the Company's top priority.

Although the impact of the COVID-19 pandemic has not had a significant adverse impact on our operations, we cannot reasonably estimate the length or severity of this pandemic on the macroeconomic environment which we operate in. Accordingly, the extent to which the COVID-19 pandemic will impact our financial condition or results of operations will depend on future developments, such as the duration and intensity of the pandemic, the effectiveness of COVID-19 vaccines and and booster shots, and the overall impact on our customers, employees, vendors, and operations.

Discontinuation of Nicotine Sales

Over the course of 2021, we reduced our reliance on lower-margin third-party nicotine brands and increased our focus on our Greenlane Brands, as part of our strategy to scale our portfolio of proprietary brands to build the leading house of brands in the ancillary cannabis industry. As evidence of this, sales from nicotine products decreased to $2.1 million, or 1.3% of total net sales, from $13.0 million, or 9.4% of total net sales. Meanwhile, Greenlane Brand sales increased 52.3% to $34.8 million for the year ended December 31, 2021, driven by strong growth in sales from Eyce and VIBES products. We intend to eliminate lower-margin third-party nicotine brands entirely over the course of 2022.

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.

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 subject to U.S. federal, state and foreign income taxes with respect to our allocable share of any taxable income or loss of Greenlane Holdings, LLC and will be taxed at the prevailing corporate tax rates on such income. Significant judgment is required in determining our provision or benefit for income taxes and in evaluating uncertain tax positions. We account for income taxes under the asset and liability method, which requires the recognition of deferred tax assets or deferred tax liabilities for the expected future tax consequences of events included in our financial statements.

Greenlane Holdings, LLC is a limited liability company and is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a result, we are not liable for U.S. federal or state and local income taxes in most jurisdictions in which we operate, and the income, expenses, gains and losses are reported on the returns of our members. Greenlane Holdings, LLC is subject to Canadian, Dutch, and U.S. state and local income tax in certain jurisdictions in which it is not treated as a partnership for income tax purposes, and in which jurisdictions it pays an immaterial amount of taxes.

During the years ended December 31, 2021 and December 31, 2020, 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, 2021 and 2020, 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 to ensure sufficient 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.

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

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.

Results of Operations

The following table presents operating results for the years ended December 31, 2021 and 2020:

	Year Ended December 31,		% of Net sales		Change	
	2021	2020	2021	2020	$	%
Net sales	$ 166,060	$ 138,304	100.0 %	100.0 %	$ 27,756	20.1 %
Cost of sales	138,381	115,539	83.3 %	83.5 %	22,842	19.8 %
Gross profit	27,679	22,765	16.7 %	16.5 %	4,914	21.6 %
Operating expenses:						
Salaries, benefits and payroll taxes	34,012	24,909	20.5 %	18.0 %	9,103	36.5 %
General and administrative	41,700	35,315	25.1 %	25.5 %	6,385	18.1 %
Goodwill impairment charge	—	8,996	— %	6.5 %	(8,996)	(100.0) %
Depreciation and amortization	4,689	2,520	2.8 %	1.8 %	2,169	86.1 %
Total operating expenses	80,401	71,740	48.4 %	51.8 %	8,661	12.1 %
Loss from operations	(52,722)	(48,975)	(31.7) %	(35.4) %	(3,747)	7.7 %
Other income (expense), net:						
Interest expense	(574)	(437)	(0.3) %	(0.3) %	(137)	31.4 %
Other income (expense), net	(117)	1,902	(0.1) %	1.4 %	(2,019)	(106.2) %
Total other expense, net	(691)	1,465	(0.4) %	1.1 %	(2,156)	*
Loss before income taxes	(53,413)	(47,510)	(32.1) %	(34.5) %	(5,903)	12.4 %
Provision for income taxes	10	194	— %	0.1 %	(184)	(94.8) %
Net loss	(53,423)	(47,704)	(32.1) %	(34.6) %	(5,719)	12.0 %
Net loss attributable to non-controlling interest	(22,840)	(33,187)	(13.8) %	(24.0) %	10,347	(31.2) %
Net loss attributable to Greenlane Holdings, Inc.	$ (30,583)	$ (14,517)	(18.3) %	(10.5) %	$ (16,066)	110.7 %

**Not meaningful*

Consolidated Results of Operations

Net Sales

For the year ended December 31, 2021, total net sales were approximately $166.1 million, compared to approximately $138.3 million for the year ended December 31, 2020, representing an increase of $27.8 million, or 20.1%. The year-over-year increase was primarily due to the merger with KushCo, which was completed on August 31, 2021, and which contributed $43.5 million in total net sales. The increase was partially offset by a $10.9 million decrease in sales of lower-margin third-party nicotine brands and a $7.2 million decrease in sales of other lower-margin third-party brands.

Cost of Sales and Gross Margin

For the year ended December 31, 2021, cost of sales increased by $22.8 million, or 19.8%, as compared to the year ended December 31, 2020. The increase in cost of sales was primarily due to the impact of the KushCo merger of $36.7 million, offset by a decrease in revenue of 11.4% excluding the impact of the KushCo merger.

Gross margin remained relatively flat at 16.7% for the year ended December 31, 2021, compared to gross margin of 16.5% for the same period in 2020. Excluding inventory write-offs of damaged and obsolete inventory in 2021 and 2020 of $10.5 million and $6.7 million, respectively, associated with post-merger and ongoing product rationalization initiatives, gross margins increased 1.7% to 23.0% in 2021, compared to 21.3% for the same period in 2020. The increase in margin is related to an increase in Greenlane Brands sales of 52.3% with a higher margin profile than 3rd-party brand sales with a lower margin profile for the comparable period.

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, legacy Greenlane and legacy KushCo margins are significantly different, due to their respective customer bases, product mix and types of transactions. Legacy KushCo 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, legacy Greenlane 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 increased by approximately $9.1 million, or 36.5%, to $34.0 million for the year ended December 31, 2021, compared to $24.9 million for the same period in 2020, primarily due to an increase related to the KushCo merger of $5.9 million and $5.7 million in stock compensation expense, the majority of which is related to post-merger acceleration of vesting periods triggered by the KushCo merger, offset by a salaries and payroll taxes decrease of $1.7 million related to a transformation initiative to reduce salary operating expense.

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. In light of the merger, management is continuing to explore opportunities in 2022 to further reduce salary expenses and other operating expenses.

As part of our aforementioned 2022 Plan to reduce our cost structure, increase liquidity and accelerate our path to profitability, we completed a reduction in force in March 2022, which we expect to result in approximately $8.0 million in annualized cash compensation cost savings.

General and Administrative Expenses

General and administrative expenses increased by approximately $6.4 million, or 18.1%, for the year endedDecember 31, 2021, compared to the same period in 2020. This increase was primarily due to an increase of approximately $3.8 million in professional fees related to our ERP system implementation and M&A; an increase of $3.3 million in insurance expense primarily driven by directors and officers insurance premiums incurred with respect to the completed KushCo merger, an increase of $2.4 million in legal fees driven by M&A activity, an increase of $1.2 million third party logistics full year costs versus partial year cost related to 3PL facilities in Kentucky and Canada first implemented in 2020 and the addition of KushCo 3PL Canada facility; an increase in write-offs of $1.1 million principally related to vendor inventory deposits identified during a post-merger inventory rationalization initiative; offset by a decrease of $6.6 million bad debt expense with the majority of the decrease related to gain of 1.7 million due indemnification asset recovery related to VAT liability versus a loss of approximately $4.5 million related to the same indemnification asset which was not probable of recoveryfor the same comparable period.

Impairment Charge

Due to market conditions and estimated adverse impacts from the COVID-19 pandemic, management concluded that a triggering event occurred in the first quarter of 2020, requiring a quantitative impairment test of our goodwill for our United States and Europe reporting units. Based on this assessment, we concluded that the fair value of our Europe reporting unit exceeded its carrying value and no impairment charge was required. However, the estimated fair value of the United States reporting unit was determined to be below its carrying value, which resulted in a $9.0 million goodwill impairment charge, recorded in the first quarter of 2020. We did not recognize incremental impairment charges to goodwill as a result of our annual impairment assessment as of December 31, 2021 and 2020, respectively.

Depreciation and Amortization Expenses

Depreciation and amortization expense increased $2.2 million, or 86.1%, for the year endedDecember 31, 2021, compared to the same period in 2020. The increase of $2.2 million is primarily related to the additional depreciation and amortization expense related to the KushCo merger.

Other Income (Expense), Net

Interest expense.

Interest expense consists of interest incurred on our Real Estate Note, promissory notes related to the Eyce and DaVinci acquisitions and Bridge loan. We also experienced an increase of interest expense of approximately $0.1 million during the year ended December 31, 2021, due to the addition of promissory notes related to the Eyce and DaVinci acquisitions and the Secured Promissory Note (the "Bridge Loan") with Aaron LoCascio during 2021.

Other expense, net.

Other income (expense), net, decreased by approximately $2.0 million for the year ended December 31, 2021, compared to the same period in 2020. The change is primarily due a loss related to the revaluation of contingent consideration of $0.2 million in 2021, which was offset by a gain from the fair value adjustment of contingent consideration of approximately $0.7 million in 2020, which was largely attributed to changes in forecasted revenues and gross profits in our European operations over the remainder of 2021, driven primarily by the impacts of the COVID-19 pandemic, and a decrease in interest income in 2021 of $0.2 million, as well as general other expenses incurred in 2021.

Provision for Income Taxes

As a result of the IPO and the related transactions (defined in "Note 1—Business Operations and Organizations" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K), we own 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 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 us, in accordance with the terms of the Operating Agreement. We are subject to federal income taxes, in addition to state and local income taxes with respect to our allocable share of the Operating Company's taxable income or loss.

As discussed above, prior to the consummation of the IPO, the provision for income taxes included only income taxes on income from the Operating Company's Canadian subsidiary, based upon an estimated annual effective tax rate of approximately 26.5%. After the consummation of the IPO, Greenlane became subject to U.S. federal, state and local income taxes with respect to Greenlane's allocable share of the Operating Company's taxable income or loss. Furthermore, after completing the Conscious Wholesale acquisition in September 2019, the Operating Company became subject to Dutch income taxes on income from its Netherlands-based subsidiary, based upon an estimated effective tax rate of approximately 25.0%.

During the third quarter of 2019, management performed an assessment of our ability to realize our deferred tax assets based upon which management determined that it is not more likely than not that our 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, thus reducing the carrying balance to $0. 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.

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 2021.

The Consumer Goods segment focuses on serving consumers across wholesale, retail and e-commerce operations—through both our proprietary brands, including Eyce, DaVinci, VIBES, Marley Natural, Keith Haring, and Higher Standards, as well as lifestyle products and accessories from leading brands, like PAX, Storz and Bickel, Grenco Science, and many more. The Consumer Goods segment forms a central part of our growth strategy, especially as it relates to scaling our own portfolio of higher-margin proprietary owned brands.

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

Our CODM allocates resources to and assesses the performance of our two operating segments based on the operating segments' net sales and gross profit. The following table sets forth information by reportable segment for the years ended December 31, 2021 and 2020:

	2021	2020	% of Total Net sales 2021	% of Total Net sales 2020	Change $	Change %
Net sales:						
Consumer Goods	$ 110,105	$ 122,186	66.3 %	88.3 %	$ (12,081)	(9.9)%
Industrial Goods	55,955	16,118	33.7 %	11.7 %	39,837	247.2 %
Total net sales	$ 166,060	$ 138,304				

Cost of sales:	2021	2020	% of Segment Net sales 2021	% of Segment Net sales 2020	Change $	Change %
Consumer Goods	$ 92,804	$ 101,981	84.3 %	83.5 %	$ (9,177)	(9.0)%
Industrial Goods	45,577	13,558	81.5 %	84.1 %	32,019	236.2 %
Total cost of sales	$ 138,381	$ 115,539				
Gross profit:						
Consumer Goods	$ 17,301	$ 20,205	15.7 %	16.5 %	$ (2,904)	(14.4)%
Industrial Goods	10,378	2,560	18.5 %	15.9 %	7,818	305.4 %
Total gross profit	$ 27,679	$ 22,765				

<u>Consumer Goods</u>

For the year ended December 31, 2021, our Consumer Goods operating segment reported net sales of approximately $110.1 million compared to approximately $122.2 million for the same period in 2020, representing a decrease of $12.1 million or 9.9%. The year-over-year decrease was primarily due to a $10.9 million decrease in sales of lower-margin third-party nicotine brands. The decrease was also due, to a lesser extent, to a $7.2 million decrease in sales of other lower-margin third-party brands. The decrease was offset by a $11.9 million increase in the sales of Greenlane Brands, which increased 52.3% to $34.8 million.

For the year ended December 31, 2021, cost of sales decreased by $9.2 million, or 9.0%, as compared to the same period in 2020. The decrease in cost of sales was primarily due to the 9.9% decrease in Consumer Goods net sales.

Gross margin remained relatively flat atapproximately 15.7% for the year ended December 31, 2021, compared to gross margin ofapproximately 16.5% for the same period in 2020. Excluding post-merger strategic product rationalization initiative charges of $5.1 million, gross margin was approximately 20.6% for year endedDecember 31, 2021, compared to gross margin of approximately 22.0%, excluding damaged and obsolete charges of $6.7 million, for the same period in 2020.

<u>Industrial Goods</u>

For the year ended December 31, 2021, our Industrial Goods operating segment reported net sales of approximately $56.0 million compared to approximately $16.1 million for the same period in 2020, representing an increase of $39.8 million or 247.2%. The increase is directly related to net sales of approximately $43.5 million contributed by our merger with KushCo, which have been included in our results of operations beginning with August 31, 2021, which is the merger completion date.

For the year ended December 31, 2021, cost of sales increased by $32.0 million, or 236.2%, as compared to the same period in 2020. The increase is directly related to cost of sales of approximately $36.7 million contributed by our merger with KushCo, which have been included in our results of operations beginning with August 31, 2021, which is the merger completion date.

Gross margin was approximately 18.5% for the year ended December 31, 2021, compared to gross margin ofapproximately 15.9% for the same period in 2020, representing 2.6% year over year increase. Excluding post-merger strategic product rationalization initiative charges of $5.0 million, gross margin was approximately 25.8% for year endedDecember 31, 2021, compared to gross margin of approximately 15.9% for the same period in 2020. The year over year increase in gross margin of approximately 9.9% is related to improved supply and packaging margins and a freight recovery surcharge introduced in the fourth quarter of 2021 to offset increased freight-in costs.

Net Sales by Geographic Regions

| | Year Ended December 31, | | | | | |
			% of Net sales		Change	
	2021	2020	2021	2020	$	%
Net sales:						
United States	$ 146,006	$ 112,543	87.9 %	81.4 %	$ 33,463	29.7 %
Canada	9,717	15,457	5.9 %	11.2 %	(5,740)	(37.1)%
Europe	10,337	10,304	6.2 %	7.4 %	33	0.3 %
Total net sales	$ 166,060	$ 138,304	100.0 %	100.0 %	$ 27,756	20.1 %

United States

For the year ended December 31, 2021, our United States net sales were approximately $146.0 million, compared to approximately $112.5 million for the same period in 2020, representing an increase of $33.5 million, or 29.7%. The year-over-year increase was primarily due to the merger with KushCo, which contributed $40.0 million in total net sales. Excluding net sales contributed by KushCo, total net sales decreased by approximately $6.5 million, or 5.8%, to approximately $106.0 million for the year ended December 31, 2021, compared to the same period in 2020. The year-over-year decrease was primarily due to a decrease in wholesale revenue of $3.0 million, and a decrease in consumer retail revenue of $1.6 million.

Canada

For the year ended December 31, 2021, our Canadian net sales were approximately $9.7 million, compared to approximately $15.5 million for the same period in 2020, representing a decrease of $5.7 million, or 37.1%. The year-over-year decrease was primarily due to a $7.0 million decrease in sales related to our shift away from lower-margin third-party nicotine brands, and was partially offset by $3.5 million in net sales contributed by KushCo.

Europe

For the year ended December 31, 2021, our European net sales were approximately $10.3 million, which were roughly flat on a year-over-year basis. Our European operations continued to endure challenges over the course of the year, including significant COVID-19 restrictions that adversely impacted retail and supply chain operations.

Liquidity and Capital Resources

Our primary requirements for liquidity and capital are working capital, debt service related to recent acquisitions and potential future 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 of December 31, 2021, we had 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, which is calculated as total current assets minus total current liabilities, as compared to approximately $30.4 million of cash, of which $2.3 million was held in foreign bank accounts, and approximately $54.2 million of working capital as of December 31, 2020. 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.

On October 1, 2018, one of the Operating Company's wholly-owned subsidiaries closed on the purchase of a building for $10.0 million, which serves as our corporate headquarters. The purchase was financed through a real estate term note (the "Real Estate Note") in the principal amount of $8.5 million, with one of the Operating Company's wholly-owned subsidiaries as the borrower and Fifth Third Bank as the lender. Principal amounts plus any accrued interest at a rate of LIBOR plus 2.39% are due monthly. Our obligations under the Real Estate Note are secured by a mortgage on the property. We are seeking to enter into a sale lease-back transaction with respect to our corporate headquarters, at which point we would repay the Real Estate Note, and use the net proceeds from the sale for working capital purposes.

Our future liquidity needs may also include payments in respect of the redemption rights of the Common Units held by its members that may be exercised from time to time (should we elect to exchange such Common Units for a cash payment), payments under the TRA and state and federal taxes to the extent not sheltered by our tax assets, including those arising as a result of purchases, redemptions or exchanges of Common Units for Class A common stock. Although the actual timing and amount of any payments that may be made under the TRA will vary, the payments that we will be required to make to the members may be significant. Any payments made by us to the members under the TRA will generally reduce the amount of overall cash flow that might have otherwise been available to us or to the Operating Company and, to the extent that we are unable to make payments under the TRA for any reason, the unpaid amounts generally will be deferred and will accrue interest until paid by us; provided, however, that nonpayment for a specified period may constitute a material breach of a material obligation under the TRA and therefore may accelerate payments due under the TRA.

We believe that our cash on hand, combined with our ability to access the capital markets, will be sufficient to fund our working capital and capital expenditure requirements, as well as our debt repayments and other liquidity requirements associated with our existing operations, for at least the next 12 months. We have an effective shelf registration statement on Form S-3 (the "2021 Shelf Registration Statement") and may opportunistically conduct securities offerings from time to time in order to meet our liquidity needs. However, we may be unable to access the capital markets because of current market volatility and the performance of our stock price.

The 2021 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 $200,000,000. As described below, on August 2, 2021 we filed a prospectus supplement (the "2021 ATM Program Prospectus Supplement") for the sale of up to $50,000,000 of shares of our Class A common stock pursuant to the ATM Program (as defined below). On March 31, 2022, the date on which this Annual Report on Form 10-K for the fiscal year ended December 31, 2021 is filed with the SEC, the 2021 Shelf Registration Statement became subject to the offering limits set forth in General Instruction I.B.6 of Form S-3 ("Instruction I.B.6") because our public float is 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 2021 Shelf Registration Statement pursuant to Instruction I.B.6 during any twelve consecutive months may not exceed one-third of our public float. We have not offered any 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.

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. Net proceeds from sales of our shares of Class A common stock under the ATM Program are expected to be used to fund potential business acquisitions and for working capital and general corporate purposes. Since the launch of the ATM program and through March 28, 2022, we sold 11,685,970 shares of our Class A common stock under the ATM Program, which generated gross proceeds of approximately $9.4 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.

In addition, on August 11, 2021, we completed a public offering of 4,200,000 shares of Class A common stock, 5,926,583 pre-funded warrants to purchase shares of Class A common stock and 6,075,950 standard warrants to purchase shares of Class A common stock (the “Common Stock and Warrant Offering”) for net proceeds of approximately $29.9 million.

In December 2021, we entered into the Bridge Loan 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 loan in the principal amount of $8.0 million. Accrued interest at a rate of 15.0% is due monthly, and principal amount is due in full in June 2022. The Bridge Loan is 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 includes negative covenants restricting our ability to incur further indebtedness and engage in certain asset dispositions until the earlier of June 30, 2022 or the Bridge Loan has been fully repaid.

We are in the process of securing an asset backed loan to assist us with working capital needs. We can provide no assurances as to the timing of our entry into this loan or that we will enter into it at all.

Our opinions concerning liquidity are based on currently available information. To the extent this information proves to be inaccurate, or if circumstances change, future availability of trade credit or other sources of financing may be reduced and our liquidity could be adversely affected. Our future capital requirements and the adequacy of available funds will depend on many factors, including those described in the section titled “Risk Factors” in Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2021. 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.

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:

	Year Ended December 31,	
(in thousands)	**2021**	**2020**
Net cash used in operating activities	$ (37,330)	$ (12,302)
Net cash used in investing activities	(19,691)	(4,144)
Net cash provided by (used in) financing activities	38,963	(1,063)

Net Cash Used in Operating Activities

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.

During 2020, net cash used in operating activities of approximately $12.3 million was a result of a net loss of $47.7 million offset by non-cash adjustments to net loss of $17.7 million, and a $17.7 million increase in cash provided by working capital primarily driven by increases in our accrued expenses and accounts payable, and decreases in inventories offset by higher other current assets.

Net Cash Used in Investing Activities

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.

During 2020, we used approximately $4.1 million of cash for capital expenditures, including computer hardware and software to support our growth and development, and warehouse supplies and equipment, including the build-out of our two retail locations, and the purchase of a domain name and VIBES trademarks in Europe.

Net Cash Provided by (Used in) Financing Activities

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.

During 2020, net cash used in financing activities primarily consisted of approximately $1.1 million in payments on other long-term liabilities, notes payable and finance lease obligations.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not required.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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 sheet of Greenlane Holdings, Inc. (the "Company") as of December 31, 2021, the related consolidated statements of operations and comprehensive loss, stockholders' equity and cash flows for the year ended December 31, 2021, 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, 2021, and the results of its operations and its cash flows for the year ended December 31, 2021, in conformity with accounting principles generally accepted in the United States of America.

We have also audited the adjustments to the 2020 financial statements to retrospectively apply the change in segment reporting, as described in Note 12 of the financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2020 financial statements of the Company other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2020 financial statements taken as a whole.

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 audit. 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit 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 audit 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 audit 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 audit provides 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, 2022

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited, before the effects of the retrospective adjustments to the disclosures for a change in the composition of reportable segments discussed in Note 12 to the consolidated financial statements, the consolidated balance sheet of Greenlane Holdings, Inc. and subsidiaries (the "Company") as of December 31, 2020, the related consolidated statements of operations and comprehensive loss, stockholders' equity, and cash flows for the year ended December 31, 2020, and the related notes (collectively referred to as the "financial statements") (the 2020 consolidated financial statements before the effects of the adjustments discussed in Note 12 to the financial statements are not presented herein). In our opinion, the 2020 financial statements, before the effects of the retrospective adjustments to the disclosures for a change in the composition of reportable segments discussed in Note 12 to the financial statements, present fairly, in all material respects, the financial position of the Company as of December 31, 2020, and the results of its operations and its cash flows for the year ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

We were not engaged to audit, review, or apply any procedures to the retrospective adjustments to the disclosures for a change in the composition of reportable segments discussed in Note 12 to the consolidated financial statements, and accordingly, we do not express an opinion or any other form of assurance about whether such retrospective adjustments are appropriate and have been properly applied. Those retrospective adjustments were audited by other auditors.

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 audit. 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audit, 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 audit 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 audit 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 audit provides a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Boca Raton, Florida
March 31, 2021

We began serving as the Company's auditor in 2019. In 2021, we became the predecessor auditor.

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

	December 31, 2021	December 31, 2020
ASSETS		
Current assets		
Cash	$ 12,857	$ 30,435
Accounts receivable, net of allowance of $ 1,285 and $ 1,084 at December 31, 2021 and 2020, respectively	14,690	6,330
Inventories, net	66,982	36,064
Vendor deposits	18,475	11,289
Assets held for sale	75	1,073
Other current assets (Note 8)	11,658	10,892
Total current assets	124,737	96,083
Property and equipment, net	20,851	12,201
Intangible assets, net	84,710	5,945
Goodwill	41,860	3,280
Operating lease right-of-use assets	9,128	3,104
Other assets	4,541	2,037
Total assets	$ 285,827	$ 122,650
LIABILITIES		
Current liabilities		
Accounts payable	$ 23,041	$ 18,405
Accrued expenses and other current liabilities (Note 8)	25,128	19,390
Customer deposits	7,924	2,729
Current portion of notes payable, including $ 8,000 owed to related party	11,615	182
Current portion of operating leases	3,091	966
Current portion of finance leases	169	184
Total current liabilities	70,968	41,856
Notes payable, less current portion and debt issuance costs, net	10,607	7,844
Operating leases, less current portion	6,142	2,524
Finance leases, less current portion	72	205
Other liabilities	1,674	964
Total long-term liabilities	18,495	11,537
Total liabilities	89,463	53,393
Commitments and contingencies (Note 7)		
STOCKHOLDERS' EQUITY		
Preferred stock, $0.0001 par value, 10,000 shares authorized, none issued and outstanding	—	—
Class A common stock, $0.01 par value per share, 600,000 shares authorized, and 85,210 shares issued and outstanding as of December 31, 2021; 125,000 shares authorized, 13,322 shares issued and outstanding as of December 31, 2020	852	133
Class B common stock, $0.0001 par value per share, 30,000 shares authorized, and 21,745 shares issued and outstanding as of December 31, 2021; 10,000 shares authorized, and 3,491 shares issued and outstanding as of December 31, 2020	2	1
Class C Common stock, $0.0001 par value per share, no shares authorized as of December 31, 2021; 100,000 shares authorized, and 76,039 shares issued and outstanding as of December 31, 2020	—	8
Additional paid-in capital	228,894	39,742
Accumulated deficit	(55,544)	(24,848)
Accumulated other comprehensive income (loss)	324	29
Total stockholders' equity attributable to Greenlane Holdings, Inc.	174,528	15,065
Non-controlling interest	21,836	54,192
Total stockholders' equity	196,364	69,257
Total liabilities and stockholders' equity	$ 285,827	$ 122,650

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,	
	2021	**2020**
Net sales	$ 166,060	$ 138,304
Cost of sales	138,381	115,539
Gross profit	27,679	22,765
Operating expenses:		
Salaries, benefits and payroll taxes	34,012	24,909
General and administrative	41,700	35,315
Goodwill impairment charge	—	8,996
Depreciation and amortization	4,689	2,520
Total operating expenses	80,401	71,740
Loss from operations	(52,722)	(48,975)
Other income (expense), net:		
Interest expense	(574)	(437)
Other income (expense), net	(117)	1,902
Total other income (expense), net	(691)	1,465
Loss before income taxes	(53,413)	(47,510)
Provision for income taxes	10	194
Net loss	(53,423)	(47,704)
Less: Net loss attributable to non-controlling interest	(22,840)	(33,187)
Net loss attributable to Greenlane Holdings, Inc.	$ (30,583)	$ (14,517)
Net loss attributable to Class A common stock per share - basic and diluted (Note 9)	$ (0.79)	$ (1.22)
Weighted-average shares of Class A common stock outstanding - basic and diluted (Note 9)	38,595	11,947
Other comprehensive income (loss):		
Foreign currency translation adjustments	115	654
Unrealized gain (loss) on derivative instrument	376	(459)
Comprehensive loss	(52,932)	(47,509)
Less: Comprehensive loss attributable to non-controlling interest	(22,644)	(33,092)
Comprehensive loss attributable to Greenlane Holdings, Inc.	$ (30,288)	$ (14,417)

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, 2019	9,812	$ 98	5,975	$ 1	77,791	$ 8	$ 32,108	$ (9,727)	$ (72)	$ 91,848	$ 114,264
Net loss	—	—	—	—	—	—	—	(14,517)	—	(33,187)	(47,704)
Equity-based compensation	—	—	—	—	—	—	192	—	—	661	853
Other comprehensive income	—	—	—	—	—	—	—	—	101	95	196
Member distribution	—	—	—	—	—	—	—	(604)	—	—	(604)
Joint venture consolidation	—	—	—	—	—	—	—	—	—	189	189
Issuance of Class A common stock	686	7	—	—	—	—	2,056	—	—	—	2,063
Exchanges of noncontrolling interest for Class A common stock	2,824	28	(2,240)	—	(1,752)	—	4,934	—	—	(4,962)	—
Cancellation of Class B common stock due to forfeitures	—	—	(244)	—	—	—	452	—	—	(452)	—
Balance December 31, 2020	13,322	133	3,491	1	76,039	8	39,742	(24,848)	29	54,192	69,257
Net loss	—	—	—	—	—	—	—	(30,583)	—	(22,840)	(53,423)
Equity-based compensation	187	2	—	—	—	—	3,129	—	—	2,543	5,674
Exchanges of noncontrolling interest for Class A common stock	7,088	71	(5,175)	(1)	(5,738)	(1)	12,178	—	—	(12,247)	—
Exercise of Class A common stock options and warrants	6,028	60	—	—	—	—	247	—	—	—	307
Conversion of Class C common stock	—	—	23,434	2	(70,301)	(7)	5	—	—	—	—
Issuance of Class A common stock and pre-funded warrants, net of costs	58,789	588	—	—	—	—	174,015	—	—	—	174,603
Member distribution	—	—	—	—	—	—	—	(200)	—	—	(200)
Cancellation of Class B common stock due to forfeitures	—	—	(5)	—	—	—	8	—	—	(8)	—
Other comprehensive income	—	—	—	—	—	—	—	—	295	196	491
Other	(204)	(2)	—	—	—	—	(430)	87	—	—	(345)
Balance December 31, 2021	**85,210**	**$ 852**	**21,745**	**$ 2**	**—**	**$ —**	**$ 228,894**	**$ (55,544)**	**$ 324**	**$ 21,836**	**$ 196,364**

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	
	2021	**2020**
Cash flows from operating activities:		
Net loss (including amounts attributable to non-controlling interest)	$ (53,423)	$ (47,704)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	4,689	2,520
Equity-based compensation expense	5,715	853
Goodwill impairment charge	—	8,996
Change in fair value of contingent consideration	189	(719)
Change in provision for doubtful accounts	236	576
(Gain) loss related to indemnification asset	(1,692)	4,464
Loss on disposal of assets	109	579
Impairment of held-for-sale assets	97	376
Unrealized loss on equity investments	171	—
Other	86	75
Changes in operating assets and liabilities, net of the effects of acquisitions:		
Decrease (increase) in accounts receivable	(1,393)	1,186
Decrease in inventories	5,730	6,996
Decrease (increase) in vendor deposits	(43)	29
Decrease (increase) in other current assets	9,087	(10,194)
(Decrease) increase in accounts payable	(1,301)	7,095
(Decrease) Increase in accrued expenses and other liabilities	(6,808)	13,104
(Decrease) increase in customer deposits	1,221	(534)
Net cash used in operating activities	(37,330)	(12,302)
Cash flows from investing activities:		
Purchase consideration paid for acquisitions, net of cash acquired	(15,646)	(1,841)
Purchases of property and equipment, net	(4,400)	(1,788)
Proceeds from sale of assets held for sale	675	—
Purchase of intangible assets, net	(320)	(515)
Net cash used in investing activities	(19,691)	(4,144)
Cash flows from financing activities:		
Member distributions	(200)	(604)
Proceeds from issuance of Class A common stock and pre-funded warrants, net of costs	32,643	—
Proceeds from exercise of stock options and warrants	307	—
Proceeds from issuance of note payable to related party, net of costs	7,868	—
Repayments of notes payable	(1,075)	(190)
Debt issuance costs	(220)	—
Other	(360)	(269)
Net cash provided by (used in) financing activities	38,963	(1,063)
Effects of exchange rate changes on cash	480	171
Net (decrease) in cash	(17,578)	(17,338)
Cash, as of beginning of the period	30,435	47,773
Cash, as of end of the period	$ 12,857	$ 30,435
Supplemental disclosures of cash flow information		
Cash paid during the period for interest	$ 574	$ 437
Cash paid during the period for income taxes	$ 39	$ 192
Cash paid for amounts included in the measurement of lease liabilities	$ 1,978	$ 1,252
Lease liabilities arising from obtaining finance lease assets	$ 119	$ 272
Lease liabilities arising from obtaining operating lease right-of-use assets, net of the effect of acquisitions	$ —	$ 793
Non-cash investing and financing activities:		
Issuance of Class A common stock for business acquisitions	$ 141,960	$ 1,988
Non-cash purchases of property and equipment	$ 1,659	$ 98
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	$ (12,247)	$ (4,962)
Unpaid contingent purchase consideration	$ 6,857	$ —

The accompanying notes are an integralpart of these 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 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 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. 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 more than 8,500 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.

The following table sets forth the economic and voting interests of our common stock holders as of December 31, 2021:

Class of Common Stock (ownership)	Total Shares (1)	Class A Shares (as converted) (2)	Economic Ownership in the Operating Company (3)	Voting Interest in Greenlane (4)	Economic Interest in Greenlane (5)
Class A	85,209,651	85,209,651	79.7 %	79.7 %	100.0 %
Class B	21,744,500	21,744,500	20.3 %	20.3 %	— %
Total	106,954,151	106,954,151	100.0 %	100.0 %	100.0 %

(1) Represents the total number of outstanding shares for each class of common stock as of December 31, 2021.

(2) Represents the number of shares of Class A common stock that would be outstanding assuming the exchange of all outstanding shares of Class B common stock upon redemption of all related Common Units. Shares of Class B common stock would be canceled, without consideration, on a one-to-one basis pursuant to the terms and subject to the conditions of the Operating Agreement.

(3) Represents the indirect economic interest in the Operating Company through the holders' ownership of common stock.

(4) Represents the aggregate voting interest in us through the holders' ownership of Common Stock. Each share of Class A common stock and Class B common stock entitles its holder to one vote per share on all matters submitted to a vote of our stockholders.

(5) Represents the aggregate economic interest in us through the holders' ownership of Class A common stock.

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.

Liquidity

Our principal sources of liquidity at December, 31 2021 consisted of cash on hand, future cash anticipated to be generated from operations, and our ATM Program described below.

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. Net proceeds from sales of our shares of Class A common stock under the ATM Program are expected to be used to fund potential business acquisitions and for working capital and general corporate purposes. Since the launch of the ATM program and through March 28, 2022, we sold 11,685,970 shares of our Class A common stock under the ATM Program, which generated gross proceeds of approximately $9.4 million.

In December 2021, we entered into the Bridge Loan 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 loan in the principal amount of $8.0 million. Accrued interest at a rate of 15.0% is due monthly, and principal amount is due in full in June 2022. The Bridge Loan is 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 includes negative covenants restricting our ability to incur further indebtedness and engage in certain asset dispositions until the earlier of June 30, 2022 or the Bridge Loan has been fully repaid.

We also have an effective shelf registration statement on Form S-3 and may opportunistically conduct securities offerings from time to time in order to meet our liquidity needs. However, we may be unable to access the capital markets because of current market volatility and the performance of our stock price

We are in the process of securing an asset backed loan to assist us with working capital needs. However, we can provide no assurances as to the timing of our entry into this loan or that we will enter into it at all. We believe that our cash on hand, combined with our ability to access the capital markets, will be sufficient to fund our working capital and capital expenditure requirements, as well as our debt repayments and other liquidity requirements associated with our existing operations, for at least the next 12 months.

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.

Segment Reporting

We manage our global business operations through our operating and reportable business segments. Due to our recent merger with KushCo, we reassessed and updated our operating segments. Therefore, as of December 31, 2021, we had two reportable operating business segments: Industrial Goods, which largely comprises KushCo's legacy operations, and Consumer Goods, which largely comprises Greenlane's legacy operations across the United States, Canada, and Europe. 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 Officer ("CFO"), manage our business, make resource allocation and operating decisions, and evaluate operating performance. These changes in operating segments align with how we manage our business as of the fourth quarter of 2021. Segment disclosures within this Form 10-K have been retrospectively restated to reflect the change in segments. 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, 2021 and 2020, the carrying amount of our long-term debt approximated its fair value. On a recurring basis, we measure and record contingent consideration and our interest-rate swap arrangement 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 federal 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, 2021, and 2020, approximately $0.7 million and $2.3 million, respectively, of our cash balances were in foreign bank accounts and uninsured.As of December 31, 2021 and 2020, we had no cash equivalents.

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 30 days 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 Bridge Loan, 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, 2021 and 2020, the reserve for obsolescence was approximately $21.3 million and $1.6 million, respectively. We pledge inventory as collateral for our Bridge Loan, 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.

We completed the sale of approximately $0.7 million of machinery included in "Assets held for sale" during the second quarter of 2021, and we completed the sale of the remaining balance as of December 31, 2021 of $0.1 million in "Assets held for sale" during the first quarter of 2022. We recognized approximately $0.1 million and $0.4 million in impairment charges during the years ended December 31, 2021 and 2020, respectively.

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 Bridge Loan, 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. Other than the impairment charge recognized on our assets held for sale as noted above, we did not recognize any other impairment charges for long-lived assets during the years ended December 31, 2021 and 2020.

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.

We recognized no impairment charges for intangible assets during the years ended December 31, 2021 and 2020.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 measured at fair value on a recurring basis consist of investments in XS Financial Inc. and High Tide Inc. We have determined that our ownership does not provide us with significant influence over the operations of these entities. Accordingly, we account for our investment in these entities as equity securities, and we record changes in the fair value of these investments in "other income (expense), net" in our consolidated statements of operations and comprehensive loss.

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. 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, 2021 and 2020.

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 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 members'/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 $4.2 million and $3.6 million for the years ended December 31, 2021 and 2020, 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.

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.

Our performance obligations for services are satisfied when the services are rendered within the arranged service period. Total service revenue is not material and accounted for less than 0.1% of revenues for the years ended December 31, 2021 and 2020.

Beginning with the first quarter of 2020, we entered into a limited number of bill-and-hold arrangements. Each bill-and-hold arrangement is reviewed and revenue is recognized only when certain criteria have been met: (i) the customer has requested delayed delivery and storage of the products by us, in exchange for a storage fee, because they want to secure a supply of the products but lack storage space, (ii) the risk of ownership has passed to the customer, (iii) the products are segregated from our other inventory items held for sale, (iv) the products are ready for shipment to the customer, and (v) the products are customized and thus we do not have the ability to use the products or direct them to another customer. Revenue under bill-and-hold arrangements was $0.5 million and $1.7 million for the years ended December 2021 and 2020, respectively. Storage fees charged to customers for bill-and-hold arrangements are recognized as invoiced. Such fees were not significant for the years ended December 31, 2021 and 2020.

We act as the principal in relation to our contracts with customers and recognize revenue on a gross basis as we (i) are the primary entity responsible for fulfilling the promise to provide the specified products in the arrangement with the customer and we provide the primary customer service for all products sold, (ii) have discretion in establishing the price for the specified products sold and selecting our suppliers, as applicable, and (iii) we maintain inventory risk upon accepting returns.

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, 2021 and 2020.

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 $1.0 million and $0.8 million as of December 31, 2021 and 2020, respectively. The recoverable cost of merchandise estimated to be returned by customers, which is included within "Other current assets" in our consolidated balance sheets, was approximately $0.2 million as of December 31, 2021 and 2020.

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.

No single customer represented more than 10% of our net sales for the years ended December 31, 2021 and 2020, 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. As of December 31, 2020, no single customer represented more than 10% of our accounts receivable balance.

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, the German government has commenced a criminal investigation, which could result in penalties; other jurisdictions could commence such investigations as well.

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 $ 2.5 million and $9.9 million within "Accrued expenses and other current liabilities" and VAT receivable of approximately $0.1 million and $4.4 million within "Other current assets" in our consolidated balance sheet as of December 31, 2021 and 2020, respectively.

We established VAT receivables in jurisdictions where VAT paid exceeds VAT collected and are recoverable through the filing of refund claims. Our VAT receivable balance as of December 31, 2021 and 2020 relates to refund claims with the Dutch tax authorities. In April 2021, we received a refund from the Dutch tax authorities of approximately $4.1 million.

Pursuant to the purchase and sale agreement by which we acquired our European subsidiaries, the sellers are required to indemnify us against certain specified matters and losses, including any and all liabilities, claims, penalties and costs incurred or sustained by us in connection with non-compliance with tax laws in relation to activities of the sellers. The indemnity (or indemnification receivable) is limited to an amount equal to the purchase price under the purchase and sale agreement. As of December 31, 2021 and 2020, we recognized an indemnification asset of approximately $0.1 million and $0.9 million within "Other current assets" using the loss recovery model. We were beneficiaries of a bank guarantee in the amount of approximately $0.9 million for claims for which we are entitled to indemnification under the purchase and sale agreement, which we collected in April 2021. In April 2021, we entered into a settlement agreement with the sellers of Conscious Wholesale requiring the transfer of approximately $0.8 million in cash from the sellers' bank accounts, which we also collected in April 2021. In May 2021, we entered into another settlement with the sellers to place 650,604 shares of our Class A common stock owned by the sellers in escrow, which requires that those securities be sold as necessary to pay additional liabilities of the seller to us under the purchase and sale agreement.

During the year ended December 31, 2020, we recognized a charge of approximately $4.5 million within "general and administrative" expenses in our consolidated statements of operations and comprehensive loss, which represented the difference between the VAT payable and the VAT receivable and indemnification asset recorded as of December 31, 2020.

During the year ended December 31, 2021, we recognized a gain of approximately $1.7 million within "general and administrative expenses" in our consolidated statements of operations and comprehensive loss, which represented the partial reversal of the previously recognized charge, as the indemnification asset became probable of recovery based on the settlement agreements with the sellers and the related amounts collected from the sellers, and a 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 Adopted Accounting Guidance

In August 2018, the FASB issued ASU 2018-15, *Intangibles-Goodwill and Other-Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement*, which aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. We adopted this standard prospectively beginning January 1, 2020. Adoption of this standard did not have a material impact on our consolidated financial statements.

In December 2019, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*, which removes certain exceptions to the general principles in Topic 740 and also clarifies and amends existing guidance to improve consistent application. This update was effective for interim and annual periods beginning after December 15, 2020, with early adoption permitted. We adopted this standard beginning January 1, 2021. Adoption of this standard did not have a material impact on our consolidated financial statements.

In January 2020, the FASB issued ASU No. 2020-01, *Investments—Equity Securities (Topic 321), Investments—Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815)*, which clarifies the interaction of accounting for equity securities under Topic 321, the accounting for equity investments in Topic 323, and the accounting for certain forward contracts and purchased options in Topic 815. We adopted this guidance beginning January 1, 2021. Adoption of this standard did not have a material impact on our consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, *Accounting for Convertible Instruments and Contracts in an Entity's Own Equity (ASU 2020-06)*, which addresses the measurement and disclosure requirements for convertible instruments and contracts in an entity's own equity. The new standard simplifies and adds disclosure requirements for the accounting and measurement of convertible instruments and the settlement assessment for contracts in an entity's own equity. This pronouncement is effective for fiscal years, and for interim periods within those fiscal years, beginning after December 15, 2021. We elected to early adopt the new standard beginning January 1, 2021, on a modified retrospective basis. Adoption of this standard did not impact our consolidated financial statements, as we did not hold any instruments to which this standard was applicable during the current reporting period nor in earlier reporting periods.

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 March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides practical expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The expedients and exceptions provided by the amendments in this update apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued as a result of reference rate reform. These amendments are not applicable to contract modifications made and hedging relationships entered into or evaluated after December 31, 2022. In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848): Scope*, which clarified the scope and application of the original guidance. ASU No. 2020-04 and ASU No. 2021-01 are effective as of March 12, 2020 through December 31, 2022 and may be applied to contract modifications and hedging relationships from the beginning of an interim period that includes or is subsequent to March 12, 2020. We are still evaluating the impact these standards will have on our consolidated financial statements and related 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 are still assessing this standard's impact on our consolidated financial statements.

NOTE 3. BUSINESS ACQUISITIONS

Eyce

On March 2, 2021, we acquired substantially all the assets of Eyce LLC ("Eyce"), a designer and manufacturer of silicon 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:

(in thousands)	Purchase Consideration
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
Total purchase consideration	$ 8,739

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 requires 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 includes significant unobservable inputs such as the risk-free rate, riskadjusted 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 795,523 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.

(in thousands)	Estimated Fair Value as of Acquisition Date (as previously reported)	Measurement Period Adjustments	Estimated Fair Value as of Acquisition Date (as adjusted)
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	$ 8,129	$ 610	$ 8,739

Goodwill generated from the Eyce acquisition is primarily related to the value we placed on expected business synergies. We anticipate that the goodwill recognized will be deductible for income tax purposes.

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, 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 Preliminary 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.

The initial accounting for the acquisition, including the purchase price allocation, is preliminary pending completion of the fair value analyses of the replacement warrants and replaced equity compensation awards, as well as pending completion of the fair value analyses of assets acquired and liabilities assumed.

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 are preliminary based on management's estimates and assumptions and may be subject to change as additional information is received. We expect to finalize the valuation as soon as practicable, but not later than one year from the acquisition date.

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

(in thousands)	**Purchase Consideration**	
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
Total purchase consideration	$	148,856

(1) Based on approximately 48.8 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 $2.54.

(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):

(in thousands)	Estimated Fair Value as of Acquisition Date (as previously reported)	Measurement Period Adjustments	Estimated Fair Value as of Acquisition Date (as adjusted)
Assets acquired			
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
Liabilities assumed			
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
Total estimated purchase price and consideration transferred in the merger	$ 148,856	$ —	$ 148,856

Goodwill generated from the KushCo acquisition is primarily related to the value we placed on expected business synergies. We anticipate that the goodwill recognized will not be deductible for income tax purposes.

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.

The initial accounting for the acquisition, including the purchase price allocation, is preliminary pending completion of the fair value analyses of contingent consideration, as well as pending completion of the fair value analyses of assets acquired and liabilities assumed.

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 are preliminary based on management's estimates and assumptions and may be subject to change as additional information is received. We expect to finalize the valuation as soon as practicable, but not later than one year from the acquisition date.

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

(in thousands)		Purchase Consideration
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
Total purchase consideration	$	16,485

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 requires us to make contingent payments, including: (1) the 2021 Contingent Payment, which is based on the achievement of certain financial benchmarks measured during the period January 1, 2021 and December 31, 2021, and is 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 3,030,304 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 reflects 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):

(in thousands)		Estimated Fair Value as of Acquisition Date
Assets acquired		
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
Total estimated assets acquired		16,707
Liabilities assumed		
Accounts payable		59
Accrued expenses and other current liabilities		123
Customer deposits		40
Total estimated liabilities assumed		222
Total estimated purchase price and consideration transferred	$	16,485

Goodwill generated from the DaVinci acquisition is primarily related to the value we placed on expected business synergies. We anticipate that the goodwill recognized will be deductible for income tax purposes.

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):

	For the year ended December 31,	
	2021	2020
	(unaudited)	
Net sales	$ 248,691	$ 258,891
Cost of sales	221,710	223,582
Gross profit	26,981	35,309
Net loss	$ (102,685)	$ (116,444)

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.

Supplemental Information of Operating Results

"Net sales" in the consolidated statement of operations and comprehensive loss for the year ended December 31, 2021 includes approximately $5.2 million, $0.7 million, and $43.5 million of net sales contributed by Eyce, DaVinci and KushCo, respectively, since the date of the acquisition.

Eyce, DaVinci, and KushCo's operating activities have been integrated with other existing subsidiaries of the Operating Company, and as such, the identification of post-acquisition "net loss" is impracticable for the year ended December 31, 2021.

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, 2021, we had equity securities, an interest rate swap contract and contingent consideration that are required to be measured at fair value on a recurring basis.

Our equity securities consist of investments in XS Financial Inc. and High Tide Inc. We have determined that our ownership does not provide us with significant influence over the operations of these entities. Accordingly, we account for our investment in these entities as equity securities, and we record changes in the fair value of these investments in "other income (expense), net" in our consolidated statements of operations and comprehensive loss.

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

(in thousands)	Consolidated Balance Sheet Caption	Fair Value at December 31, 2021 Level 1	Level 2	Level 3	Total
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

(in thousands)	Consolidated Balance Sheet Caption	Fair Value at December 31, 2020 Level 1	Level 2	Level 3	Total
Liabilities:					
Interest rate swap contract	Other long-term liabilities	$ —	$ 665	$ —	$ 665
Total Liabilities		$ —	$ 665	$ —	$ 665

The estimated fair values of our financial instruments have been determined using available market information and what we believe to be appropriate valuation methodologies. 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, 2021 and 2020.

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. The counterparty to this instrument is a reputable financial institution. The interest rate swap contract is entered into for periods consistent with the related underlying exposure and does not constitute a position independent of this exposure. Our interest rate swap contract was designated as a cash flow hedge at the inception date, and is reflected at its fair value in our consolidated balance sheet.

The fair value of our interest rate swap liability is determined based on the present value of expected future cash flows. Since our interest rate swap value is based on the LIBOR forward curve and credit default swap rates, which are observable at commonly quoted intervals for the full term of the swap, it is considered a Level 2 measurement.

Details of the outstanding swap contract as of December 31, 2021, which is a pay fixed and receive floating contract, is as follows:

Swap Maturity	Notional Value (in thousands)	Pay Fixed Rate	Receive Floating Rate	Floating Rate Reset Terms
October 1, 2025	$ 7,958	2.0775 %	One-Month LIBOR	Monthly

We performed an initial qualitative assessment of hedge effectiveness using the hypothetical derivative method in the period in which the hedging transaction was entered, as the critical terms of the hypothetical derivative and the hedging instrument were the same. On a quarterly basis, we perform a qualitative analysis for quarterly prospective and retrospective assessments of hedge effectiveness. The unrealized loss on the derivative instrument is 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 years ended December 31, 2021 and 2020.

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, 2021 and 2020 is as follows:

(in thousands)		Contingent Consideration
Balance at December 31, 2019	$	1,568
Foreign currency translation adjustments		(14)
Payment of contingent consideration		(835)
Gain from fair value adjustments included in results of operations		(719)
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

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, 2021 and 2020.

As of December 31, 2021 and 2020, the carrying value of our investment in equity securities without a readily determinable fair value was approximately $3.5 million and $2.0 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, 2021, we had facilities financed under operating leases consisting of warehouses, offices, and retail stores, with lease term expirations between 2022 and 2027. Lease terms are generally three to seven years for warehouses, office space and retail store locations. Our lease agreements do not contain any material residual value guarantees or material restrictive covenants.

During the year ended December 31, 2020, we took steps to optimize our distribution network, transitioning to a more streamlined network with fewer, centrally-located, highly automated facilities. Accordingly, we entered into service agreements with third-party logistics ("3PL") companies in the United States and Canada to handle the bulk of the North American supply chain needs, and entered into an agreement for a California-based facility. As of December 31, 2020, we have successfully transferred, subleased or terminated leases for our Jacksonville, FL, Torrance, CA, Visalia, CA, and B.C Canada distribution centers. With regard to our retail locations, we entered into a new operating lease agreement for a new retail store location in Barcelona, Spain, and we permanently closed our Ponce City Market retail location.

During the year ended December 31, 2020, we recorded approximately $1.7 million in charges related to the closures above, comprised of $1.3 million related to right-of-use asset impairments, $0.1 million related to impairments of leasehold improvements, and a lease cancellation fee of approximately $0.3 million. These charges were offset by the derecognition of the associated operating lease liabilities of approximately $1.4 million, recorded within "general and administrative expenses" in our consolidated statement of operations and comprehensive loss.

The following table provides details of our future minimum lease payments under finance and operating lease liabilities recorded in our consolidated balance sheet as of December 31, 2021. The table below does not include commitments that are contingent on events or other factors that are currently uncertain or unknown.

(in thousands)	Finance Leases	Operating Leases	Total
2022	$ 127	$ 3,330	$ 3,457
2023	107	2,816	2,923
2024	19	1,994	2,013
2025	—	1,382	1,382
2026	—	155	155
Thereafter	—	4	4
Total minimum lease payments	253	9,681	9,934
Less: imputed interest	12	448	460
Present value of minimum lease payments	241	9,233	9,474
Less: current portion	169	3,091	3,260
Long-term portion	$ 72	$ 6,142	$ 6,214

Rent expense under operating leases was approximately $2.0 million and $1.6 million for the years ended December 31, 2021 and 2020, respectively.

The majority of our finance lease obligations relate to leased warehouse equipment. Payments under our finance lease agreements are fixed for terms ranging from three to five years. We recorded approximately $0.4 million of finance lease assets, net within "property and equipment, net" as of December 31, 2021 and 2020, respectively, and the related liabilities within "current portion of finance leases" and "finance leases, less current portion" in our consolidated balance sheets.

The following expenses related to our finance and operating leases were included in "general and administrative expenses" within our consolidated statements of operations and comprehensive loss for the years ended December 31, 2021 and 2020:

(in thousands)	December 31, 2021	December 31, 2020
Finance lease cost		
Amortization of leased assets	$ 74	$ 142
Interest of lease liabilities	12	18
Operating lease costs		
Operating lease cost	1,593	1,383
Variable lease cost	385	255
Total lease cost	$ 2,064	$ 1,798

The table below presents lease-related terms and discount rates as of December 31, 2021:

	December 31, 2021
Weighted average remaining lease terms	
Operating leases	3.3 years
Finance leases	1.9 years
Weighted average discount rate	
Operating leases	2.6 %
Finance leases	3.9 %

Greenlane as a Lessor

We have five operating leases for office space leased to third-party tenants in our corporate headquarters building in Boca Raton, Florida and one sublease in California. For the years ended December 31, 2021 and 2020, respectively, we recorded approximately $0.8 million and $0.6 million in rental income related to these operating leases, which we included within "Other income, net" in our consolidated statements of operations and comprehensive loss.

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 with tenants:

Rental Income	(in thousands)	
2022	$	728
2023		461
2024		77
2025		53
Thereafter		—
Total	$	1,319

NOTE 6. DEBT

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

(in thousands)	December 31, 2021		December 31, 2020	
Real Estate Note	$	7,958	$	8,125
Bridge Loan		8,000		—
DaVinci Promissory Note		5,000		—
Eyce Promissory Note		1,592		—
		22,550		8,125
Less unamortized debt issuance costs		(328)		(99)
Less current portion of debt		(11,615)		(182)
Debt, net, excluding operating leases and finance leases	$	10,607	$	7,844

Real Estate Note

On October 1, 2018, one of the Operating Company's wholly-owned subsidiaries financed the purchase of a building which serves as our corporate headquarters through a real estate term note (the "Real Estate Note") in the principal amount of $8.5 million. Principal payments plus accrued interest at a rate of one-month LIBOR plus2.39% are due monthly, with a final payment of all remaining outstanding principal and accrued interest due in October 2025. Our obligations under the Real Estate Note are secured by a mortgage on the property. The Real Estate Note 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 Real Estate Note and execution upon the collateral securing obligations under the Real Estate Note. As of December 31, 2021, we were in compliance with the Real Estate Note covenants. Our Real Estate Note is subject to an interest rate swap contract, see "Note 4—Fair Value of Financial Instruments."

One-month LIBOR is expected to be discontinued and replaced after June 2023 and the credit facility has a maturity date beyond that time. There can be no assurances as to what the alternative base rate will be once one-month LIBOR is discontinued, and we can provide no assurances whether that base rate will be more or less favorable than LIBOR. We intend to monitor the developments with respect to the phasing out of one-month LIBOR and work with our lenders to ensure that any transition away from one-month LIBOR will have minimal impact on our financial condition but can provide no assurances regarding the impact of LIBOR discontinuation.

Eyce Promissory Note

In March 2021, one of the Operating Company's wholly-owned subsidiaries financed the acquisition of Eyce through the issuance of an unsecured promissory note (the "Eyce Promissory Note") in the principal amount of $2.5 million. Principal payments plus accrued interest at a rate of4.5% 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 of4.0% 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 "Bridge Loan"). Accrued interest at a rate of15.0% is due monthly, and principal amount is due in full in June 2022. We incurred $0.3 million of debt issuance costs related to the Bridge Loan, which are recorded as a direct deduction from the carrying amount of the Bridge Loan, and which will continue to be amortized over the term of the Bridge Loan through interest expense.

The Bridge Loan is 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 includes negative covenants restricting our ability to incur further indebtedness and engage in certain asset dispositions until the earlier of June 30, 2022 or the Bridge Loan has been fully repaid.

Future Minimum Principal Payments

The following table summarizes future scheduled minimum principal payments of debt at December 2021. Future debt principal payments are presented based upon the stated maturity dates in the respective debt agreement.

	Year Ending December 31,					
(in thousands)	2022	2023	2024	2025	2026	Total
Real Estate Note	$ 208	$ 203	$ 215	$ 7,332	$ —	$ 7,958
Bridge Loan	8,000	—	—	—	—	8,000
DaVinci Promissory Note	2,462	2,538	—	—	—	5,000
Eyce Promissory Note	945	647	—	—	—	1,592
Total	$ 11,615	$ 3,388	$ 215	$ 7,332	$ —	$ 22,550

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, 2021.

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 finance lease liabilities and operating lease liabilities. See "Note 11—Incomes Taxes" for information regarding income tax contingencies.

NOTE 8. SUPPLEMENTAL FINANCIAL STATEMENT INFORMATION

Other Current Assets

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

(in thousands)	December 31, 2021	December 31, 2020
Other current assets:		
VAT refund receivable	$ 143	$ 4,391
Prepaid expenses	2,726	1,542
Indemnification receivable, net	122	921
Customs bonds	4,550	300
Other	4,118	3,738
	$ 11,658	$ 10,892

Property and Equipment, Net

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

(in thousands)	As of December 31, 2021		As of December 31, 2020		Estimated useful life
Furniture, equipment and software (includes $0.4 million and $0.6 million under finance leases as of December 31, 2021 and 2020, respectively)	$	8,478	$	2,978	3 - 7 years
Personal property		1,130		1,130	5 years
Leasehold improvements		1,562		844	Lesser of lease term or 5 years
Building		8,128		8,088	39 years
Land		691		691	
Land improvements		601		601	15 years
Work in process		4,871		633	
		25,461		14,965	
Less: accumulated depreciation (includes $0.1 million under finance leases as of December 31, 2021 and 2020)		4,610		2,764	
Property and equipment, net	$	20,851	$	12,201	

Depreciation expense for property and equipment (excluding assets recorded under finance leases) for the years ended December 31, 2021 and 2020 was approximately $2.1 million and $1.1 million, respectively.

Intangible Assets, Net

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

(in thousands)	December 31, 2021 Gross carrying amount		Accumulated amortization		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	

(in thousands)	December 31, 2020 Gross carrying amount		Accumulated amortization		Carrying value		Estimated useful life
Design libraries	$	1,677	$	(214)	$	1,463	15 years
Trademarks and tradenames		3,617		(1,572)		2,045	1-15 years
Customer relationships		2,565		(796)		1,769	5-15 years
Other intangibles		2,045		(1,377)		668	2-15 years
Total intangible assets, net	$	9,904	$	(3,959)	$	5,945	

The change in the gross carrying amounts of our trademarks and tradenames, customer relationships, and other intangibles is primarily driven by our business acquisitions during the year ended December 31, 2021. The weighted-average amortization period for intangible assets we acquired during the year ended December 31, 2021 was approximately 11.6 years. The weighted-average amortization period for intangible assets we acquired during the year ended December 31, 2020 was approximately 12.3 years.

Amortization expense for intangible assets was approximately $2.6 million and $1.3 million for the years ended December 31, 2021 and 2020, respectively. Total estimated amortization expense for our intangible assets for the years 2021 through 2026 is as follows:

Amortization Expense		*(in thousands)*
2022	$	5,831
2023		5,337
2024		5,179
2025		5,156
2026		4,883

Goodwill

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 and reporting units: (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 2021.

Goodwill allocated to our Industrial Goods reporting unit is comprised of goodwill generated from our merger with KushCo, which was completed on August 31, 2021. Goodwill allocated to our Consumer Goods reporting unit is comprised of goodwill generated from (1) our Eyce business acquisition, which was completed in March 2021, (2) our DaVinci business acquisition, which was completed in November 2021, and (3) our acquisition of Conscious Wholesale, our wholly owned subsidiary based in the Netherlands, in September 2019, which was previously included in our former European reporting unit, prior to our change in reporting units during the fourth quarter of 2021.

As a result of the change in reporting units, we performed a quantitative assessment of potential goodwill impairment for the former European reporting unit immediately prior to the change, and determined that goodwill was not impaired. We also performed a separate qualitative assessment of potential goodwill impairment for our Consumer Goods and Industrial Goods reporting units, we determined that goodwill was not impaired as of December 31, 2021.

During the first quarter of 2020, due to market conditions and the adverse impacts from the COVID-19 pandemic, management had concluded that a triggering event had occurred, requiring a quantitative impairment test of our goodwill for our former United States and Europe reporting units. Based on this assessment, the estimated fair value of the United States reporting unit was determined to be below its carrying value, which resulted in a $9.0 million goodwill impairment charge. The impairment charge resulted from the impacts of COVID-19 on our current and forecasted wholesale revenues and the restrictions on certain products we sell imposed by the Federal Drug Administration's Enforcement Priorities for Electronic Nicotine Delivery Systems and Other Deemed products on the Market Without Premarket Authorization, which resulted in changes to our estimates and assumptions of the expected future cash flows of the United States reporting unit.

During the fourth quarter of 2020, we performed a quantitative assessment for our former European reporting unit. Based on this assessment, we concluded that the fair value of our Europe reporting unit exceeded its carrying value and no impairment charge was required. The estimated fair value of our reporting units is highly sensitive to changes in the underlying projections and assumptions; therefore, in some instances, changes in these assumptions could potentially lead to impairment. Specifically, conditions brought on by the COVID-19 pandemic may have material impacts on the assumptions used in determining the fair value of our reporting unit. Should the business environment worsen from impacts of the COVID-19 pandemic, the fair value of our reporting unit may decrease below its carrying value and result in an impairment charge to goodwill in future periods.

Changes in the carrying amount of goodwill by reportable segment for the year ended December 31, 2021 were as follows:

(in thousands)	Industrial Goods	Consumer Goods	Total
Balance at December 31, 2020	$ —	$ 3,280	$ 3,280
Eyce acquisition (Note 3)		5,450	5,450
KushCo merger (Note 3)	24,332	—	24,332
DaVinci acquisition (Note 3)		9,052	9,052
Foreign currency translation adjustment	—	(254)	(254)
Balance at December 31, 2021	$ 24,332	$ 17,528	$ 41,860

Accrued Expenses and Other Current Liabilities

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

(in thousands)	December 31, 2021	December 31, 2020
Accrued expenses and other current liabilities:		
VAT payable	$ 4,393	$ 10,800
Contingent consideration	5,641	—
Accrued employee compensation	6,055	2,361
Accrued professional fees	1,700	1,750
Refund liability	1,481	785
Accrued construction in progress (ERP)	1,061	—
Sales tax payable	1,034	284
Accrued third-party logistics fees	421	1,295
Other	3,342	2,115
	$ 25,128	$ 19,390

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, 2021 were as follows:

(in thousands)	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

We typically complete orders related to customer deposits within six weeks to three months from the date of order, depending on the complexity of the customization and the size of the order.

Accumulated Other Comprehensive Loss

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

(in thousands)	Foreign Currency Translation	Unrealized Gain or (Loss) on Derivative Instrument	Total
Balance at December 31, 2019	$ (22)	$ (50)	$ (72)
Other comprehensive income (loss)	654	(459)	195
Less: Other comprehensive (income) loss attributable to non-controlling interest	(449)	355	(94)
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

Supplier Concentration

Our four largest vendors accounted for an aggregate of approximately 32.5% and 49.5% of our total net sales and 51.8% and 41.6% of our total purchases for the years ended December 31, 2021 and 2020, respectively. We expect to maintain our relationships with these vendors.

Related Party Transactions

Nicholas Kovacevich, our Chief Executive Officer and Dallas Imbimbo, who serves on our Board, own capital stock of Unrivaled Brands Inc. ("Unrivaled") and serve on the Unrivaled board of directors. Net sales to Unrivaled for the years ended December 31, 2021 and 2020 totaled $0.1 million and $0, respectively. Total accounts receivable due from Unrivaled were $0.4 million and $0 as of December 31, 2021 and 2020, respectively.

Adam Schoenfeld, our Chief Marketing Officer and Board Director, has a significant ownership interest in one of our customers, Universal Growing. Net sales to Universal Growing for the years ended December 31, 2021 and 2020 totaled $0.2 million and $0.1 million, respectively. Total accounts receivable due from Universal Growing as of December 31, 2021 and 2020 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, in which Mr. LoCascio provided us with a bridge loan in the principal amount of $8.0 million (the "Bridge Loan"). Accrued interest at a rate of15.0% is due monthly, and principal amount is due in full in June 2022. The Bridge Loan is 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 includes negative covenants restricting our ability to incur further indebtedness and engage in certain asset dispositions until the earlier of June 30, 2022 or the Bridge Loan has been fully repaid.

NOTE 9. STOCKHOLDERS' EQUITY

Shares of our Class A common stock have both voting interests and economic interests (i.e., the right to receive distributions or dividends, whether cash or stock, and proceeds upon dissolution, winding up or liquidation), while shares of our Class B common stock have voting interests but no economic interests. Each share of our Class A common stock and Class B 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).

Class A Common Stock Repurchase Program

In November 2019, our Board of Directors approved a stock repurchase program authorizing up to $5.0 million in repurchases of our outstanding shares of Class A common stock. Under the program, we may repurchase shares in accordance with all applicable securities laws and regulations, including Rule 10b-18 of the Securities Exchange Act of 1934, as amended. We may periodically repurchase shares in open market transactions, directly or indirectly, in block purchases and in privately negotiated transactions or otherwise. The timing, pricing, and amount of any repurchases under the share repurchase program will be determined by management at its discretion based on a variety of factors, including, but not limited to, trading volume and market price of our Class A common stock, corporate considerations, our working capital and investment requirements, general market and economic conditions, and legal requirements. The share repurchase program does not obligate us to repurchase any common stock and may be modified, discontinued, or suspended at any time. Shares of Class A common stock repurchased under the program are subsequently retired. There were no share repurchases under the program during the years ended December 31, 2021 or 2020.

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, 2021, we owned 79.7% of the economic interests in the Operating Company, with the remaining 20.3% of the economic interests owned by non-controlling interest holders. 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 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, 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. Since the launch of the ATM program in August 2021 and through December 31, 2021, we sold 2,401,255 shares of our Class A common stock under the

ATM Program, which generated gross proceeds of approximately $3.4 million and paid fees to the sales agent of approximately $0.1 million.

Common Stock and Warrant 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 4,200,000 shares of our Class A common stock, pre-funded warrants to purchase up to 5,926,583 shares of our Class A common stock (the “Pre-Funded Warrants”) and warrants to purchase up to 6,075,950 shares of our Class A common stock (the “Standard Warrants” and, together with the Pre-Funded Warrants, the “Warrants”), in a registered direct offering (the “Offering”). The shares of Class A common stock and Warrants were sold in Units (the “Units”), with each unit consisting of one share of Class A common stock or a Pre-Funded Warrant and a 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. Subject to certain ownership limitations, the Standard Warrants were immediately exercisable at an exercise price equal to $3.55 per share of Class A common stock. The Standard Warrants are exercisable for five years from the date of issuance. Each Pre-Funded Warrant was exercisable with no expiration date for one Share of Class A common stock at an exercise price of $ 0.01. The Offering generated gross proceeds of approximately $31.9 million and net proceeds to the Company of approximately $29.9 million.

All Pre-Funded Warrants were exercised prior to December 31, 2021, based upon which we issued an additional 5,926,583 shares of our Class A common stock, for net proceeds of approximately $0.1 million.

Class C Common Stock Conversion

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. See "Note 3—Business Acquisitions" for additional details regarding our acquisition of KushCo, which was completed on August 31, 2021.

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):

	For the year ended December 31,	
(in thousands, except per share data)	**2021**	**2020**
Numerator:		
Net loss	$ (53,423)	$ (47,704)
Less: Net loss attributable to non-controlling interests	(22,840)	(33,187)
Net loss attributable to Class A common stockholders	$ (30,583)	$ (14,517)
Denominator:		
Weighted average shares of Class A common stock outstanding	38,595	11,947
Net loss per share of Class A common stock - basic and diluted	$ (0.79)	$ (1.22)

As noted above, all Pre-Funded Warrants were exercised prior to December 31, 2021. The 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, 2021 beginning with their issuance date, as their stated exercise price of $ 0.01 was non-substantive and their exercise was virtually assured.

For the years ended December 31, 2021 and 2020, 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”). We previously registered5,000,000 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. 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.

The Amended 2019 Plan provides eligible participants with compensation opportunities in the form of cash and equity incentive awards. The 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 previously announced 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.

Rule 10b5-1 Trading Plans

During the year ended December 31, 2021, Section 16 officers Aaron LoCascio and Adam Schoenfeld had equity trading plans in place in accordance with Rule 10b5-1(c)(1) under the Exchange Act. An equity trading plan is a written document that preestablishes the amounts, prices and dates (or formula for determining the amounts, prices and dates) of future purchases or sales of our Class A common stock, including shares acquired under our equity plans.

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:

	For the year ended December 31,	
(in thousands)	2021	2020
Stock options - Class A common stock	$ 4,204	$ 1,592
Restricted shares - Class A common stock	1,009	43
Restricted stock units (RSUs) - Class A common stock	53	40
Common units of the Operating Company	449	(822)
Total equity-based compensation expense	$ 5,715	$ 853

During the year ended December 31, 2021, we granted an aggregate of1,676,355 options to our directors and certain employees. The stock options were granted with exercise prices ranging from $1.00 per share to $6.20 per share, and vesting periods ranging from six months to four years.

During the year ended December 31, 2020, we granted an aggregate of949,126 options to our directors and certain employees. The stock options were granted with exercise prices ranging from $2.00 per share to $6.14 per share, and vesting periods ranging from six months to four years.

Total remaining unrecognized compensation expense as of December 31, 2021 was as follows:

	Remaining Unrecognized Compensation Expense December 31, 2021	Weighted Average Period over which Remaining Unrecognized Compensation Expense is Expected to be Recognized
	(in thousands)	(in years)
Stock options - Class A common stock	$ 1,291	0.5
Restricted shares - Class A common stock	10	0.2
Restricted stock units (RSUs) - Class A common stock	28	3.1
Common units of the Operating Company	—	0
Total remaining unrecognized compensation expense	$ 1,329	

The fair value of the stock option awards granted during the years ended December 31, 2021 and 2020 was determined on the grant date using the Black-Scholes valuation model based on the following ranges of weighted-average assumptions:

	December 31, 2021	December 31, 2020
Expected volatility (1)	100% - 107%	96% - 103%
Expected dividend yield (2)	—	—
Expected term (3)	5.25 - 6.25 years	5.15 - 6.25 years
Risk-free interest rate (4)	0.78% - 1.37%	0.23% - 1.72%

(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, 2021 and 2020 is as follows:

	Stock Options	
	Number of Options	Weighted-Average Exercise Price
Outstanding as of December 31, 2019	629,773	$ 8.98
Granted	949,126	3.72
Exercised	—	—
Forfeited	(204,927)	6.94
Outstanding as of December 31, 2020	1,373,972	5.47
Granted	4,789,317	3.14
Exercised	(101,066)	2.40
Forfeited	(743,305)	4.30
Outstanding as of December 31, 2021	5,318,918	$ 3.59

The weighted-average grant date fair value of options granted for the years ended December 31, 2021 and 2020 was $.14 and $2.95, respectively. The total fair value of stock options vested during the years ended December 31, 2021 and 2020 was approximately $1.5 million and $1.4 million, respectively.

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

In connection with the closing of the IPO, 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:

	Common Units Subject to Vesting
Unvested Common Units as of December 31, 2019	816,659
Granted	—
Vested	(368,489)
Forfeited	(244,266)
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 ($19,500 for calendar year 2021). 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 own a portion of the Common Units of the Operating Company, which is treated as a partnership for U.S. federal and most applicable state and local income tax purposes. As a partnership, the Operating Company is generally not subject to U.S. federal and certain state and local income taxes. Any taxable income or loss generated by the Operating Company is passed through to and included in the taxable income or loss of its members, including Greenlane, on a pro-rata basis, in accordance with the terms of the Operating Agreement. The Operating Company is also subject to taxes in foreign jurisdictions. We are a corporation subject to U.S. federal income taxes, in additional to state and local income taxes, based on our share of the Operating Company's pass-through taxable income.

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

	For the year ended December 31,	
(in thousands)	2021	2020
United States	$ (51,109)	$ (40,668)
Foreign	(2,304)	(6,842)
Total	$ (53,413)	$ (47,510)

Income Tax Expense

The income tax expense for the years ended December 31, 2021 and 2020 consisted of the following:

(in thousands)	For the year ended December 31, 2021 Federal	Foreign	State	Total	For the year ended December 31, 2020 Federal	Foreign	State	Total
Current tax expense								
Current year	$ —	$ (10)	$ 20	$ 10	$ 6	$ 188	$ —	$ 194
Total current year	—	(10)	20	10	6	188	—	194
Deferred tax expense								
Current year	(6,624)	(636)	(2,211)	(9,471)	(2,278)	(1,898)	(657)	(4,833)
Change in valuation allowance	30,255	636	12,095	42,986	2,397	1,898	776	5,071
Change in tax rate	101	—	(479)	(378)	28	—	(132)	(104)
KushCo merger	(23,732)	—	(9,405)	(33,137)	(147)	—	13	(134)
Total deferred	—	—	—	—	—	—	—	—
Income tax expense	$ —	$ (10)	$ 20	$ 10	$ 6	$ 188	$ —	$ 194

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

(in thousands)	For the year ended December 31, 2021	2020
Expected federal income tax (benefit) expense at statutory rate	$ (11,216)	$ (9,977)
State tax expense, net of federal benefit	(2,125)	(652)
Loss attributable to non-controlling interests	3,475	5,628
Valuation allowance	10,293	5,290
Other, net	(417)	(95)
Income tax expense	$ 10	$ 194

Deferred Tax Assets and Liabilities

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

(in thousands)	As of December 31, 2021	2020
Deferred tax assets:		
Intangible assets	$ 16,285	$ 9,197
Basis difference in investment in the Operating Company	—	742
Net operating loss carryforwards	44,424	5,129
Other	4,351	43
Total deferred tax assets	65,060	15,111
Valuation allowance	(58,098)	(15,111)
Net deferred tax assets	6,962	—
Deferred tax liability:		
Basis difference in investment in the Operating Company	(6,962)	—
Net deferred tax assets and liabilities	$ —	$ —

We had approximately $155.8 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 $149.9 million of State net operating loss carryforwards that begin expiring in 2038 and $10.1 million of Dutch 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, but intend to complete this evaluation prior to the filing of our tax returns. 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.

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act"), which was enacted on March 27, 2020, made tax law changes to provide financial relief to companies as a result of the business impacts of COVID-19. Key income tax provisions of the CARES Act include changes in net operating loss carryback and carryforward rules, acceleration of alternative minimum tax credit recovery, increase in the net interest expense deduction limit and charitable contribution limit, and immediate write-off of qualified improvement property. The changes are not expected to have a significant impact on us. The Consolidation Appropriations Act of 2021, enacted on December 27, 2020, extended and enhanced COVID relief provisions of the CARES Act. The Company has evaluated the impact of the Consolidated Appropriation Act and determined that its impact is not material to the Company's financial statements.

During the years ended December 31, 2021 and December 31, 2020, 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, 2021 and 2020, 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 to ensure sufficient 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, 2021, we did not have any unrecognized tax benefits as a result of tax positions taken during a prior period or during the current periodNo 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 – 2020.

Tax Receivable Agreement (TRA)

We entered into the TRA with the Operating Company and each of the members that provides for the payment by the Operating Company to the members of85% of the amount of tax benefits, if any, that we may actually realize (or in some circumstances are deemed to realize) as a result of (i) increases in tax basis resulting from any future redemptions of Common Units as described in "Note 1—Business Operations and Organization" and (ii) certain other tax benefits attributable to payments made under the TRA.

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

As noted above, we evaluated the realizability of the deferred tax assets resulting from the IPO and the related transactions completed in April 2019 and established a full valuation allowance against those benefits. As a result, we determined that the amount or timing of payments to noncontrolling interest holders under the TRA are no longer probable or reasonably estimable. Based on this assessment, our TRA liability was $0 as of December 31, 2021 and 2020.

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, 2021 and 2020, 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.

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 2021. The accounting policies of the reportable segments are the same as those described in "Note 2 - Summary of Significant Accounting Policies." The segment disclosures below have been retrospectively restated to reflect the change in segments.

The Consumer Goods segment focuses on serving consumers across wholesale, retail and e-commerce operations—through both our proprietary Greenlane Brands, including Eyce, DaVinci, VIBES, Marley Natural, Keith Haring, and Higher Standards, as well as lifestyle products and accessories from leading brands, like PAX, 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 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 Greenlane Brand Pollen Gear and vaporization solutions offering which includes CCELL branded products.

Our CODM allocates resources to and assesses the performance of our two operating segments based on the operating segments' net sales and gross profitThe following table sets forth information by reportable segment for the years ended December 31, 2021 and 2020. There were no material intersegment sales during the years ended December 31, 2021 and 2020.

	For the year ended December 31, 2021			For the year ended December 31, 2020		
(in thousands)	Consumer Goods	Industrial Goods	Total	Consumer Goods	Industrial Goods	Total
Net sales	$ 110,105	$ 55,955	$ 166,060	$ 122,186	$ 16,118	$ 138,304
Cost of sales	92,804	45,577	138,381	101,981	13,558	115,539
Gross profit	$ 17,301	$ 10,378	$ 27,679	$ 20,205	$ 2,560	$ 22,765

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

	As of December 31, 2021			As of December 31, 2020		
(in thousands)	Consumer Goods	Industrial Goods	Total	Consumer Goods	Industrial Goods	Total
Accounts receivable, net	$ 3,746	$ 10,944	$ 14,690	$ 5,951	$ 379	$ 6,330
Inventories, net	$ 32,142	$ 34,840	$ 66,982	$ 29,624	$ 6,440	$ 36,064
Vendor deposits	$ 9,675	$ 8,800	$ 18,475	$ 11,271	$ 18	$ 11,289

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

	For the year ended December 31,	
(in thousands)	2021	2020
Industrial Vape Products	$ 27,845	$ —
Packaging, Paper & Supplies	25,897	16,118
Other Industrial Products	2,213	—
Consumer Products - Greenlane Brands	34,966	29,939
Consumer Products - 3rd Party Brands	75,139	92,247
Total net sales	$ 166,060	$ 138,304

The following table sets forth net sales disaggregated by geography:

(in thousands)	For the year ended December 31, 2021	2020
United States	$ 140,559	$ 109,660
Canada	12,516	15,094
Europe	11,133	10,833
Other	1,852	2,717
Total net sales	$ 166,060	$ 138,304

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:

(in thousands)	As of December 31, 2021	2020
United States	$ 29,186	$ 14,308
Canada	122	248
Europe	671	750
Total long-lived assets	$ 29,979	$ 15,306

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

NOTE 13. SUBSEQUENT EVENTS

On March 10, 2022, we announced certain corporate plans to reduce our cost structure and increase liquidity. We completed a reduction in force, which we expect will result in approximately $8.0 million in annualized cash compensation cost savings. The reduction in force encompassed a broad spectrum of divisions both domestically and abroad. Additional strategic measures that we announced we are pursuing or intend to pursue in order to capitalize the business in a non-dilutive manner, include:

- Conducting a sale leaseback of our headquarter building;
- Disposing of non-core assets;
- Discontinuing sales of lower-margin 3rd-party brands and selling existing inventory;
- Raising prices on select products; and,
- Securing an asset based loan that will support working capital needs.

Subsequent to December 31, 2021 and through March 28, 2022, we issued approximately15,269,897 additional shares of Class A common stock, including 9,284,715 shares of Class A common stock sold under our ATM program, 1,599,774 shares of Class A common stock related to restricted stock awards,559,581 shares of Class A common stock related to redemptions of Common Units of the Operating Company, and 3,825,827 shares of Class A common stock related to our contingent consideration arrangements for the Eyce and DaVinci business acquisitions (see Note 3 - Business Acquisitions for additional details).

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, 2021.

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 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 Officer concluded that our disclosure controls and procedures were ineffective as of December 31, 2021 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 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, 2021, 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 Officer have concluded that as of December 31, 2021, the Company has not maintained effective internal control over financial reporting due to the material weaknesses identified and described below.

In accordance with guidance issued by the Securities and Exchange Commission, companies are permitted to exclude acquisitions from their final assessment of internal control over financial reporting for the first fiscal year in which the acquisition occurred. Our management's evaluation of internal control over financial reporting excluded the internal control activities of KushCo. We completed our merger with KushCo on August 31, 2021, as discussed in "Note 3 - Business Acquisitions", of the Notes to the Consolidated Financial Statements. We have included the financial results of KushCo in our consolidated financial statements from the date of acquisition. Total net sales subject to KushCo's internal control over financial reporting represented approximately 26% of our consolidated total net sales for the year ended December 31, 2021. Total assets subject to KushCo's internal control over financial reporting represent approximately 70% of our consolidated total assets as of December 31, 2021.

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, 2020, 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 2021 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 2021 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 and account reconciliation controls over certain account balances
- 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

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 2020, we began a multi-year implementation of a new ERP system, which will replace our existing core financial systems, and which we expect will be completed in 2022. 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 2022, 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. Additionally, t o 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

On August 31, 2021, we completed our merger with KushCo. See "Note 3 - Business Acquisitions" to the Notes to Consolidated Financial Statements in Part II, Item 8 of this Form 10-K. We are in process of integrating KushCo into our system of internal control over financial reporting. As a result of these integration activities, certain processes, controls and procedures will be evaluated and may be revised. As discussed above, under guidelines established by the SEC, companies are permitted to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition while integrating the acquired company. In conducting our evaluation of the effectiveness of our internal control over financial reporting, we excluded KushCo from our evaluation as of December 31, 2021.

Also as discussed above, in 2020 we began a multi-year implementation of a new ERP system, which will replace our existing core financial systems. 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. We completed the implementation for certain subsidiaries during the fourth quarter of 2021, which included changes to our processes, procedures and internal controls over financial reporting during the fourth quarter of 2021. As the phased implementation of the new ERP system progresses for our other subsidiaries, 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, 2021 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 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2021.

ITEM 11. EXECUTIVE COMPENSATION

The information required by this item is incorporated by reference to our Proxy Statement for the 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2021.

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 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2021.

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 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2021.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required by this item is incorporated by reference to our Proxy Statement for the 2022 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the fiscal year ended December 31, 2021.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

We have filed the following documents as part of this Form 10-K:

(1) Consolidated Financial Statements

(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.

(3) Exhibits Required by Item 601 of Regulation S-K

Exhibit Number	Description
3.1	Amended and Restated Certificate of Incorporation of Greenlane Holdings, Inc. (Incorporated by reference to Exhibit 3.1 to Greenlane's Quarterly Report on Form 10-Q, filed November 15, 2021).
3.2	Second Amended and Restated By-Laws of Greenlane Holdings, Inc. (Incorporated by reference to Exhibit 3.2 to Greenlane's Current Report on Form 8-K, filed April 25, 2019).
4.1	Form of Stock Certificate (Incorporated by reference to Exhibit 4.1 to Greenlane's Registration Statement on Form S-1/A, filed on April 8, 2019).
4.2	Form of Convertible Promissory Note (Incorporated by reference to Exhibit 4.2 to Greenlane Holdings, Inc.'s Registration Statement on Form S-1, filed on March 20, 2019).
4.3	Description of Registrant's Securities registered pursuant to Section 12 of the Securities Exchange Act of 1934 (Incorporated by reference to Exhibit 4.3 to Greenlane Holdings, Inc.'s Annual Report on Form 10-K, filed on April 24, 2020).
4.4	Form of Standard Warrant (Incorporated by reference to Exhibit 4.1 to Greenlane's Current Report on Form 8-K, filed August 10, 2021).
4.5	Form of Pre-Funded Warrant (Incorporated by reference to Exhibit 4.2 to Greenlane's Current Report on Form 8-K, filed August 10, 2021).
4.6	Form of Stock Option Assumption Notice – KushCo Options (Incorporated by reference to Exhibit 99.2 to Greenlane's Registration Statement on Form S-8, filed August 31, 2021).
4.7	Form of Assumed June 12, 2018 KushCo Warrant, dated as of August 31, 2021 (Incorporated by reference to Exhibit 4.4 to Greenlane's Quarterly Report on Form 10-Q, filed November 15, 2021).
4.8	Form of Assumed January 18, 2019 KushCo Warrant, dated as of August 31, 2021 (Incorporated by reference to Exhibit 4.5 to Greenlane's Quarterly Report on Form 10-Q, filed November 15, 2021).
4.9	Form of Assumed August 21, 2019 KushCo Warrant, dated as of August 31, 2021 (Incorporated by reference to Exhibit 4.6 to Greenlane's Quarterly Report on Form 10-Q, filed November 15, 2021).
4.10	Form of Assumed September 30, 2019 KushCo Warrant, dated as of August 31, 2021 (Incorporated by reference to Exhibit 4.7 to Greenlane's Quarterly Report on Form 10-Q, filed November 15, 2021).
4.11	Form of Assumed February 10, 2020 KushCo Warrant, dated as of August 31, 2021 (Incorporated by reference to Exhibit 4.8 to Greenlane's Quarterly Report on Form 10-Q, filed November 15, 2021).
4.12	Form of Assumed February 24, 2021 KushCo Warrant, dated as of August 31, 2021 (Incorporated by reference to Exhibit 4.9 to Greenlane's Quarterly Report on Form 10-Q, filed November 15, 2021).
10.1	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).
10.2	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 Holdings, Inc.'s Current Report on Form 8-K, filed April 25, 2019).

10.3	Registration Rights Agreement between Greenlane Holdings, Inc. and the Original Members of Greenlane Holdings, LLC (Incorporated by reference to Exhibit 10.1 to Greenlane Holdings, Inc.'s Current Report on Form 8-K, filed April 25, 2019).
10.4*	Fourth Amended and Restated Operating Agreement of Greenlane Holdings, LLC.
10.5	Credit Agreement, dated as of October 4, 2017, by and between Jacoby & Co. Inc. and Fifth Third Bank (Incorporated by reference to Exhibit 10.6 to Greenlane Holdings, Inc.'s Registration Statement on Form S-1, filed on March 20, 2019).
10.6	Omnibus Amendment No. 1 to Credit Agreement, Guarantees, and Security Agreements, dated as of August 23, 2018, by and among Greenlane Holdings, LLC, Jacoby & Co. Inc., the other Borrower Parties listed on the signature page thereto and Fifth Third Bank (Incorporated by reference to Exhibit 10.7 to Greenlane Holdings, Inc.'s Registration Statement on Form S-1, filed on March 20, 2019).
10.7	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 Holdings, Inc.'s Current Report on Form 8-K, filed April 25, 2019).
10.8	Amended and Restated Credit Agreement, dated as of October 1, 2018, by and among 1095 Broken Sounds Pkwy LLC, Greenlane Holdings, LLC and Fifth Third Bank (Incorporated by reference to Exhibit 10.8 to Greenlane Holdings, Inc.'s Registration Statement on Form S-1, filed on March 20, 2019).
10.9	Indemnification Agreement, dated as of April 17, 2019, by and between Greenlane Holdings, Inc. and each of its Directors (Incorporated by reference to Exhibit 10.2 to Greenlane Holdings, Inc.'s September 30, 2020 Quarterly Report on Form 10-Q, filed November 16, 2020).
10.10†	Amended and Restated Greenlane Holdings, Inc. 2019 Equity Incentive Plan (Incorporated by reference to Exhibit 102 to Greenlane Holdings, Inc.'s Current Report on Form 8-K, filed August 10, 2021).
10.11	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 Holdings, Inc.'s Registration Statement on Form S-1, filed on March 20, 2019).
10.12	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 Holdings, Inc.'s Registration Statement on Form S-1, filed on March 20, 2019).
10.13	Form of Securities Purchase Agreement, dated August 9, 2021 (Incorporated by reference to Exhibit 10.1 to Greenlane's Current Report on Form 8-K, filed August 10, 2021).
10.14†	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).
10.15	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).
10.16	Assignment and Assumption Agreement, dated as of November 5, 2018, by and between Jacoby & 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).
10.17†	Amended and Restated Employment Agreement by and between Warehouse Goods LLC and William Mote, dated as ofMarch 10, 2022 (Incorporated by reference to Exhibit 10.3 to Greenlane 's Current Report on Form 8-K, filed March 10, 2022).
10.18†	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).
10.19†	Employment Agreement by and between Warehouse Goods LLC and Nicholas Kovacevich, dated as ofMarch 10, 2022 (Incorporated by reference to Exhibit10.3 to Greenlane's Current Report on Form 8-K, filed March 10, 2022).
21.1*	List of subsidiaries of Greenlane Holdings, Inc.
23.1*	Consent of Marcum LLP
23.2*	Consent of Deloitte & Touche LLP
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of Chief Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

101*	The following materials from the Company’s Annual Report on Form 10-K for the year ended December 31, 2021, 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: March 31, 2022	By:	/s/ Nicholas Kovacevich Nicholas Kovacevich Chief Executive Officer (Principal Executive Officer)
Date: March 31, 2022	By:	/s/ William Mote William Mote Chief Financial 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.

Signature	Title	Date
/s/ Nicholas Kovacevich Nicholas Kovacevich	Director and Chief Executive Officer (Principal Executive Officer)	March 31, 2022
/s/ William Mote William Mote	Chief Financial Officer (Principal Financial and Accounting Officer)	March 31, 2022
/s/ Adam Schoenfeld Adam Schoenfeld	Chief Marketing Officer and Director	March 31, 2022
/s/ Donald Hunter Donald Hunter	Director	March 31, 2022
/s/ Dallas Imbimbo Dallas Imbimbo	Director	March 31, 2022
/s/ Aaron LoCascio Aaron LoCascio	Director	March 31, 2022
/s/ Richard Taney Richard Taney	Director	March 31, 2022
/s/ Jeff Uttz Jeff Uttz	Director	March 31, 2022

Exhibit 10.4

FOURTH AMENDED AND RESTATED
OPERATING AGREEMENT
OF

GREENLANE HOLDINGS, LLC
a Delaware limited liability company

Dated as of October 6, 2021

THE SECURITIES REPRESENTED BY THIS OPERATING AGREEMENT HAVE NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, OR UNDER ANY OTHER APPLICABLE SECURITIES LAWS. SUCH SECURITIES MAY NOT BE OFFERED, SOLD, ASSIGNED, PLEDGED OR OTHERWISE DISPOSED OF AT ANY TIME WITHOUT EFFECTIVE REGISTRATION UNDER SUCH ACT AND LAWS OR EXEMPTION THEREFROM, AND COMPLIANCE WITH THE OTHER RESTRICTIONS ON TRANSFERABILITY SET FORTH HEREIN.

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FOURTH AMENDED AND RESTATED
OPERATING AGREEMENT
OF
GREENLANE HOLDINGS, LLC

This FOURTH AMENDED AND RESTATED OPERATING AGREEMENT (this " ***Agreement***"), dated as of October 6, 2021, is entered into by and among Greenlane Holdings, LLC, a Delaware limited liability company (the "***Company***"), and its Members (as defined herein).

WHEREAS, the Company was formed as a Delaware limited liability company under the name of "Jacoby Holdings LLC" on September 2, 2015 by the filing of the Certificate of Formation of the Company with the Secretary of State of the State of Delaware;

WHEREAS, the Company changed its name to "Greenlane Holdings, LLC" on June 27, 2018 by the filing of an amendment to the Certificate of Formation of the Company with the Secretary of State of the State of Delaware; and

WHEREAS, the Company entered into a Third Amended and Restated Operating Agreement of the Company, dated as of April 17, 2019 with the members of the Company party thereto (including pursuant to consent and joinders thereto) (as amended, restated, amended and restated, supplemented or otherwise modified from time to time to but excluding the date hereof, together with all schedules, exhibits and annexes thereto, the "***Prior Operating Agreement***").

NOW, THEREFORE, in consideration of the mutual covenants contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Members, intending to be legally bound, hereby agree as follows:

ARTICLE I
DEFINITIONS

The following definitions shall be applied to the terms used in this Agreement for all purposes, unless otherwise clearly indicated to the contrary.

"***Act***" means the Delaware Limited Liability Company Act, as amended from time to time, or any corresponding provision or provisions of any succeeding or successor law of the State of Delaware; *provided*, *however*, that any amendment to the Act, or any succeeding or successor law, is applicable to the Company only if the Company has elected to be governed by the Act as so amended or by such succeeding or successor law, as the case may be. The term "Act" shall refer to the Act as so amended or to such succeeding or successor law only after the appropriate election by the Company, if made, has become effective.

"***Additional Member***" has the meaning set forth in Section 12.02.

"***Adjusted Capital Account Deficit***" means with respect to the Capital Account of any Member as of the end of any Taxable Year, the amount by which the balance in such Capital Account is less than zero. For this purpose, such Member's Capital Account balance shall be:

(a) reduced for any items described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5), and (6); and

(b) increased for any amount such Member is obligated to contribute or is treated as being obligated to contribute to the Company pursuant to Treasury Regulation Section 1.704-1(b)(2)(ii)(c) (relating to partner liabilities to a partnership) or 1.704-2(g)(1) and 1.704-2(i) (relating to minimum gain).

"***Admission Date***" has the meaning set forth in Section 10.06.

"***Affiliate***" (and, with a correlative meaning, "***Affiliated***") means, with respect to a specified Person, each other Person that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, the Person specified. As used in this definition and the definition of Majority Member, "control" (including with correlative meanings, "controlled by" and "under common control with") means possession, directly or indirectly, of power to direct or cause the direction of management or policies (whether through ownership of voting securities or by contract or other agreement).

"***Agreement***" has the meaning set forth in the recitals to this Agreement.

"***Appraisers***" has the meaning set forth in Section 15.02.

"***Assignee***" means a Person to whom a Company Interest has been transferred but who has not become a Member pursuant to Article XII.

"***Assumed Tax Liability***" means, with respect to a Member, an amount equal to the Distribution Tax Rate multiplied by the estimated or actual taxable income of the Company, as determined for federal income tax purposes, allocated to such Member pursuant to Section 5.05 for the period to which the Assumed Tax Liability relates as determined for federal income tax purposes to the extent not previously taken into account in determining the Assumed Tax Liability of such Member, as reasonably determined by the Manager; *provided* that, in the case of Greenlane Holdings, Inc., a Delaware corporation (the "***Corporation***"), such Assumed Tax Liability (i) shall be computed without regard to any increases to the tax basis of the Company's property pursuant to Section 743(b) of the Code and (ii) shall in no event be less than an amount that will enable the Corporation to meet its tax obligations, including its obligations pursuant to the Tax Receivable Agreement, for the relevant taxable year.

"***Base Rate***" means, on any date, a variable rate per annum equal to the rate of interest most recently published by The Wall Street Journal as the "prime rate" at large U.S. money center banks.

"***Black-Out Period***" means any "black-out" or similar period under the Corporation's policies covering trading in the Corporation's securities to which the applicable Redeeming Member is subject, which period restricts the ability of such Redeeming Member to immediately resell shares of Class A Common Stock to be delivered to such Redeeming Member in connection with a Share Settlement.

"***Book Value***" means, with respect to any Company property, the Company's adjusted basis for U.S. federal income tax purposes, adjusted from time to time to reflect the adjustments required or permitted by Treasury Regulation Section 1.704-1(b)(2)(iv)(d)-(g).

"***Business Day***" means any day other than a Saturday or a Sunday or a day on which banks located in New York City, New York generally are authorized or required by Law to close.

"***Capital Account***" means the capital account maintained for a Member in accordance with Section 5.01.

"***Capital Contribution***" means, with respect to any Member, the amount of any cash, cash equivalents, promissory obligations or the Fair Market Value of other property that such Member contributes (or is deemed to contribute) to the Company pursuant to Article III hereof.

"***Cash Settlement***" means immediately available funds in U.S. dollars in an amount equal to the Redeemed Units Equivalent.

"***Certificate***" means the Certificate of Formation of the Company filed with the Secretary of State of the State of Delaware in accordance with the Act, as such Certificate may be amended from time to time in accordance with the Act.

"***Change of Control Transaction***" means (a) a sale of all or substantially all of the Company's assets determined on a consolidated basis, or (b) a sale of a majority of the Company's outstanding Units (other than (i) to the Corporation or (ii) in connection with a Redemption or Exchange in accordance with Article XI); in any such case, whether by merger, recapitalization, consolidation, reorganization, combination or otherwise; *provided, however*, that neither (w) a transaction solely between the Company or any of its Subsidiaries, on the one hand, and the Company or any of its Subsidiaries, on the other hand, nor (x) a transaction solely for the purpose of changing the jurisdiction of domicile of the Company, nor (y) a transaction solely for the purpose of changing the form of entity of the Company, nor (z) a sale of a majority of the outstanding shares of Class A Common Stock, whether by merger, recapitalization, consolidation, reorganization, combination or otherwise, shall in each case of clauses (w), (x), (y) and (z) constitute a Change of Control Transaction.

"***Class A Common Stock***" means the Class A common stock, par value $0.01 per share, of the Corporation.

"***Class B Common Stock***" means the Class B Common Stock, par value $0.0001 per share, of the Corporation.

"***Code***" means the United States Internal Revenue Code of 1986, as amended.

"***Common Unit***" means a Unit representing a fractional part of the Company Interests of the Members and having the rights and obligations specified with respect to the Common Units in this Agreement.

"***Common Unit Redemption Price***" means the arithmetic average of the volume weighted average prices for a share of Class A Common Stock on the principal securities exchange on which the Class A Common Stock is traded or quoted, as reported by Bloomberg, L.P., or its successor, for each of the five (5) consecutive full Trading Days ending on and including the last full Trading Day immediately prior to the Redemption Date, subject to appropriate and equitable adjustment for any stock splits, reverse splits, stock dividends or similar events affecting the Class A Common Stock. If the Class A Common Stock no longer trades on a securities exchange or automated or electronic quotation system, then a majority of the Independent Directors shall determine the Common Unit Redemption Price in good faith.

"***Common Unitholder***" means a Member who is the registered holder of Common Units.

"***Company***" has the meaning set forth in the recitals to this Agreement.

"***Company Interest***" means the interest of a Member in Profits, Losses and Distributions.

"***Contribution Notice***" has the meaning set forth in Section 11.01(b).

"***Corporate Board***" means the Board of Directors of the Corporation.

"***Corporate Incentive Award Plan***" means the Greenlane Holdings, Inc. 2019 Equity Incentive Plan, as the same may be amended, restated, amended and restated, supplemented or otherwise modified from time to time.

"***Corporation***" has the meaning set forth in the recitals to this Agreement, together with its successors and assigns.

"***Direct Exchange***" has the meaning set forth in Section 11.03(a).

"***Distributable Cash***" shall mean, as of any relevant date on which a determination is being made by the Manager regarding a potential distribution pursuant to Section 4.01(a), the amount of cash that could be distributed by the Company for such purposes.

"***Distribution***" (and, with a correlative meaning, "***Distribute***") means each distribution made by the Company to a Member with respect to such Member's Units, whether in cash, property or securities of the Company and whether by liquidating distribution or otherwise; *provided, however*, that none of the following shall be a Distribution: (a) any recapitalization that does not result in the distribution of cash or property to Members or any exchange of securities of the Company, and any subdivision (by Unit split or otherwise) or any combination (by reverse Unit split or otherwise) of any outstanding Units (b) any payments made by the Company to the Manager pursuant to Section 6.06, or (c) any other payment made by the Company to a Member that is not properly treated as a "distribution" for purposes of Sections 731, 732, or 733 or other applicable provisions of the Code.

"***Distribution Tax Rate***" shall mean, for any Fiscal Year, a rate equal to the highest effective marginal combined federal, state and local income tax rate applicable to corporate or individual taxpayers that may potentially apply to any Member for such Fiscal Year taking into account (i) any deductions pursuant to Section 199A of the Code, and (ii) the character of the relevant tax items (*e.g.,* ordinary or capital), as reasonably determined by the Manager. For the avoidance of doubt, the Company shall use the same Distribution Tax Rate for determining the Assumed Tax Liability for each Member with respect to any particular item of income or gain, regardless of whether the Member is a corporation, individual, partnership, trust, estate or other juridical entity.

"***Equity Plan***" means any option, stock, unit, stock unit, appreciation right, phantom equity or other incentive equity or equity-based compensation plan or program, in each case, now or hereafter adopted by the Company or the Corporation, including the Corporate Incentive Award Plan.

"***Equity Securities***" means (a) Units or other equity interests in the Company or any Subsidiary of the Company (including other classes or groups thereof having such relative rights, powers and duties as may from time to time be established by the Manager pursuant to the provisions of this Agreement, including rights, powers and/or duties senior to existing classes and groups of Units and other equity interests in the Company or any Subsidiary of the Company), (b) obligations, evidences of indebtedness or other securities or interests convertible or exchangeable into Units or other equity interests in the Company or any Subsidiary of the Company, and (c) warrants, options or other rights to purchase or otherwise acquire Units or other equity interests in the Company or any Subsidiary of the Company.

"***Event of Withdrawal***" means the expulsion, bankruptcy or dissolution of a Member or the occurrence of any other event that terminates the continued membership of a Member in the Company. "Event of Withdrawal" shall not include an event that (a) terminates the existence of a Member for income tax purposes (including (i) a change in entity classification of a Member under Treasury Regulations Section 301.7701-3, (ii) a sale of assets by, or liquidation of, a Member pursuant to an election under Code Sections 336 or 338, or (iii) merger, severance, or allocation within a trust or among sub-trusts of a trust that is a Member) but that (b) does not terminate the existence of such Member under applicable state law (or, in the case of a trust that is a Member, does not terminate the trusteeship of the fiduciaries under such trust with respect to all the Company Interests of such trust that is a Member).

"***Exchange Act***" has the meaning set forth in Section 6.10.

"***Exchange Election Notice***" has the meaning set forth in Section 11.03(b).

"***Fair Market Value***" means, with respect to any asset, its fair market value determined according to Article XV.

"***Fiscal Period***" means any interim accounting period within a Taxable Year established by the Company and which is permitted or required by Section 706 of the Code.

"***Fiscal Year***" means the Company's annual accounting period established pursuant to Section 8.02.

"***Governmental Entity***" means (a) the United States of America, (b) any other sovereign nation, (c) any state, province, district, territory or other political subdivision of (a) or (b) of this definition, including any county, municipal or other local subdivision of the foregoing, or (d) any entity exercising executive, legislative, judicial, regulatory or administrative functions of government on behalf of (a), (b) or (c) of this definition.

"***Indemnified Person***" has the meaning set forth in Section 7.04(a).

"***Independent Directors***" means the members of the Corporate Board who are "independent" under the standards of the principal U.S. securities exchange on which the Class A Common Stock is traded or quoted.

"***Investment Company Act***" means the U.S. Investment Company Act of 1940, as amended from time to time.

"***Joinder***" means a joinder to this Agreement, in form and substance substantially similar to Exhibit A to this Agreement.

"***Law***" means all laws, statutes, ordinances, rules and regulations of the United States, any foreign country and each state, commonwealth, city, county, municipality, regulatory body, agency or other political subdivision thereof.

"***Losses***" means items of Company loss or deduction determined according to Section 5.01(b).

"***Majority Members***" means the Members (which may include the Manager) holding a majority of the Voting Units then outstanding; *provided* that, if as of any date of determination, a majority of the Voting Units are then held by the Manager or any Affiliates controlled by the Manager, then "Majority Members" shall mean the Manager together with Members (other than the Manager and its controlled Affiliates) holding a majority of the Voting Units (excluding Voting Units held by the Manager) then outstanding.

"***Manager***" has the meaning set forth in Section 6.01.

"***Material Subsidiary***" means any direct or indirect Subsidiary of the Company that, as of any date of determination, represents more than (a) 50% of the consolidated net tangible assets of the Company or (b) 50% of the consolidated net income of the Company before interest, taxes, depreciation and amortization.

"***Member***" means, as of any date of determination, (a) each Person named on the Schedule of Members and (b) any Person admitted to the Company as a Substituted Member or Additional Member in accordance with Article XII, but in each case only so long as such Person is shown on the Company's books and records as the owner of one or more Units.

"***Minimum Gain***" means "partnership minimum gain" determined pursuant to Treasury Regulation Section 1.704-2(d).

"***Net Loss***" means, with respect to a Fiscal Year, the excess if any, of Losses for such Fiscal Year over Profits for such Fiscal Year (excluding Profits and Losses specially allocated pursuant to Section 5.03 and Section 5.04).

"***Net Profit***" means, with respect to a Fiscal Year, the excess if any, of Profits for such Fiscal Year over Losses for such Fiscal Year (excluding Profits and Losses specially allocated pursuant to Section 5.03 and Section 5.04).

"***Officer***" has the meaning set forth in Section 6.01(b).

"***Other Agreements***" has the meaning set forth in Section 10.04.

"***Partnership Representative***" has the meaning set forth in Section 9.03.

"***Percentage Interest***" means, as among an individual class of Units and with respect to a Member at a particular time, such Member's percentage interest in the Company determined by dividing such Member's Units of such class by the total Units of all Members of such class at such time. The Percentage Interest of each member shall be calculated to the 4th decimal place.

"***Permitted Transfer***" has the meaning set forth in Section 10.02.

"***Person***" means an individual or any corporation, partnership, limited liability company, trust, unincorporated organization, association, joint venture or any other organization or entity, whether or not a legal entity.

"***Prior Operating Agreement***" has the meaning set forth in the recitals to this Agreement.

"***Pro rata***," "***pro rata portion***," "***according to their interests***," "***ratably***," "***proportionately***," "***proportional***," "***in proportion to***," "***based on the number of Units held***," "***based upon the percentage of Units held***," "***based upon the number of Units outstanding***," and other terms with similar meanings, when used in the context of a number of Units of the Company relative to other Units, means as amongst an individual class of Units, pro rata based upon the number of such Units within such class of Units.

"***Profits***" means items of Company income and gain determined according to Section 5.01(b).

"***Pubco Offer***" has the meaning set forth in Section 10.09.

"***Quarterly Redemption Date***" means, for each quarter beginning with the fiscal quarter during which this Agreement is executed and delivered, the latest to occur of either: (a) the second Business Day after the date on which the Corporation makes a public news release of its quarterly earnings for the prior quarter, (b) the first day of each quarter on which directors and executive officers of the Corporation are permitted to trade under the applicable policies of the Corporation related to trading by directors and executive officers, or (c) such other date as the Corporation shall determine in its sole discretion. The Corporation will deliver notice of the Quarterly Redemption Date to each Member (other than the Corporation) at least seventy-five (75) days prior to each Quarterly Redemption Date.

"***Redeemed Units***" has the meaning set forth in Section 11.01(a).

"***Redeemed Units Equivalent***" means the product of (a) the Share Settlement, times (b) the Common Unit Redemption Price.

"***Redeeming Member***" has the meaning set forth in Section 11.01(a).

"***Redemption***" has the meaning set forth in Section 11.01(a).

"***Redemption Date***" has the meaning set forth in Section 11.01(a).

"***Redemption Notice***" has the meaning set forth in Section 11.01(a).

"***Redemption Right***" has the meaning set forth in Section 11.01(a).

"***Registration Rights Agreement***" means that certain Registration Rights Agreement, dated as April 17, 2019, by and among the Corporation and the Members party thereto (together with any joinder thereto from time to time by any successor or assign to any party to such Agreement).

"***Restricted Taxable Year***" shall mean any Taxable Year during which the Manager determines the Company does not satisfy the private placement safe harbor of Treasury Regulations Section 1.7704-1(h).

"***Retraction Notice***" has the meaning set forth in Section 11.01(b).

"***Schedule of Members***" has the meaning set forth in Section 3.01(b).

"***SEC***" means the U.S. Securities and Exchange Commission, including any governmental body or agency succeeding to the functions thereof.

"***Securities Act***" means the U.S. Securities Act of 1933, as amended, and applicable rules and regulations thereunder, and any successor to such statute, rules or regulations. Any reference herein to a specific section, rule or regulation of the Securities Act shall be deemed to include any corresponding provisions of future Law.

"***Share Settlement***" means a number of shares of Class A Common Stock equal to the number of Redeemed Units.

"***Sponsor Person***" has the meaning set forth in Section 7.04(d).

"***Subsidiary***" means, with respect to any Person, any corporation, limited liability company, partnership, association or business entity of which (a) if a corporation, a majority of the total voting power of shares of stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or one or more of the other Subsidiaries of that Person or a combination thereof, or (b) if a limited liability company, partnership, association or other business entity (other than a corporation), a majority of the voting interests thereof are at the time owned or controlled, directly or indirectly, by any Person or one or more Subsidiaries of that Person or a combination thereof. For purposes hereof, references to a "Subsidiary" of the Company shall be given effect only at such times that the Company has one or more Subsidiaries, and, unless otherwise indicated, the term "Subsidiary" refers to a Subsidiary of the Company.

"***Substituted Member***" means a Person that is admitted as a Member to the Company pursuant to Section 12.01.

"***Tax Distribution Date***" has the meaning set forth in Section 4.01(b)(i).

"***Tax Distributions***" has the meaning set forth in Section 4.01(b)(i).

"***Tax Receivable Agreement***" means that certain Tax Receivable Agreement, dated as of April 17, 2019, by and among the Corporation, on the one hand, and the Members of GH LLC (as defined therein), on the other hand (together with any joinder thereto from time to time by any successor or assign to any party to such Agreement).

“***Taxable Year***” means the Company’s accounting period for U.S. federal income tax purposes determined pursuant to Section 9.02.

“***Trading Day***” means a day on which the principal U.S. securities exchange on which the Class A Common Stock is traded or quoted is open for the transaction of business (unless such trading shall have been suspended for the entire day).

“***Transfer***” (and, with a correlative meaning, “***Transferring***”) means any sale, transfer, assignment, pledge, encumbrance or other disposition of (whether directly or indirectly, whether with or without consideration and whether voluntarily or involuntarily or by operation of Law) (a) any interest (legal or beneficial) in any Equity Securities or (b) any equity or other interest (legal or beneficial) in any Member if substantially all of the assets of such Member consist solely of Units.

“***Treasury Regulations***” means the income tax regulations promulgated under the Code and any corresponding provisions of succeeding regulations.

“***Unit***” means a Company Interest of a Member or a permitted Assignee in the Company representing a fractional part of the Company Interests of all Members and Assignees as may be established by the Manager from time to time in accordance with Section 3.02; *provided, however*, that any class or group of Units issued shall have the relative rights, powers and duties set forth in this Agreement, and the Company Interest represented by such class or group of Units shall be determined in accordance with such relative rights, powers and duties.

“***Unitholder***” means a Common Unitholder and any Member who is the registered holder of any other class of Units, if any.

“***Unvested Corporate Shares***” means shares of Class A Common Stock issued pursuant to an Equity Plan that are not Vested Corporate Shares.

“***Vested Corporate Shares***” means the shares of Class A Common Stock issued pursuant to an Equity Plan that are vested pursuant to the terms thereof or any award or similar agreement relating thereto.

“***Voting Units***” means (a) the Common Units and (b) any other Units (other than Units that by their express terms do not entitle the record holder thereof to vote on any matter presented to the Members generally under this Agreement for approval); provided that (i) no vote by Voting Units shall have the power to override any action taken by the Manager or to remove or replace the Manager, (ii) the Voting Units have no ability to take part in the conduct or control of the Company’s business and (iii) notwithstanding any vote by Voting Units hereunder, the Manager shall retain exclusive management power over the business and affairs of the Company in accordance with Section 6.01(a).

ARTICLE II
ORGANIZATIONAL MATTERS

Section 1.01 Formation of Company. The Company was formed on September 2, 2015 pursuant to the provisions of the Act.

Section 1.02 Fourth Amended and Restated Operating Agreement. The Members hereby execute this Agreement for the purpose of establishing the affairs of the Company and the conduct of its business in accordance with the provisions of the Act. The Members hereby agree that during the term of the Company set forth in Section 2.06 the rights and obligations of the Members with respect to the Company will be determined in accordance with the terms and conditions of this Agreement and the Act. On any matter upon which this Agreement is silent, the Act shall control. No provision of this Agreement shall be in violation of the Act and to the extent any provision of this Agreement is in violation of the Act, such provision shall be void and of no effect to the extent of such violation without affecting the validity of the other provisions of this Agreement; provided, however, that where the Act provides that a provision of the Act shall apply “unless otherwise provided in the operating agreement” or words of similar effect, the provisions of this Agreement shall in each instance control.

Section 1.03 Name. The name of the Company shall be “Greenlane Holdings, LLC”. The Manager in its sole discretion may change the name of the Company at any time and from time to time. Notification of any such change shall be given to all of the Members and, to the extent practicable, to all of the holders of any Equity Securities then outstanding. The Company’s business may be conducted under its name and/or any other name or names deemed advisable by the Manager.

Section 1.04 Purpose. The primary business and purpose of the Company shall be to engage in such activities as are permitted under the Act and determined from time to time by the Manager in accordance with the terms and conditions of this Agreement.

Section 1.05 Principal Office; Registered Agent. The principal office of the Company shall be at 1095 Broken Sound Parkway, Suite 300, Boca Raton, Florida 33487, or such other place as the Manager may from time to time designate. The registered agent for service of process on the Company in the State of Delaware, and the address of such agent, shall be c/o Corporation Service Company, 251 Little Falls Drive, Wilmington, Delaware, 19808. The Manager may from time to time change the Company's registered agent in the State of Delaware.

Section 1.06 Term. The term of the Company commenced upon the filing of the Certificate in accordance with the Act and shall continue in existence until termination and dissolution of the Company in accordance with the provisions of Article XIV.

Section 1.07 No State-Law Partnership. The Members intend that the Company not be a partnership (including a limited partnership) or joint venture, and that no Member be a partner or joint venturer of any other Member by virtue of this Agreement, for any purposes other than as set forth in the last sentence of this Section 2.07, and neither this Agreement nor any other document entered into by the Company or any Member relating to the subject matter hereof shall be construed to suggest otherwise. The Members intend that the Company shall be treated as a partnership for U.S. federal and, if applicable, state or local income tax purposes, and that each Member and the Company shall file all tax returns and shall otherwise take all tax and financial reporting positions in a manner consistent with such treatment.

ARTICLE III
MEMBERS; UNITS; CAPITALIZATION

Section 1.01 Members.

(a) The Company shall maintain a schedule in the form attached hereto as Schedule 1 setting forth: (i) the name and address of each Member; and (ii) the aggregate number of outstanding Units and the number and class of Units held by each Member (such schedule, the "***Schedule of Members***"). Upon any change in the number or ownership of outstanding Units (whether upon an issuance of Units, a Transfer of Units, a redemption or exchange of Units or otherwise), the Company shall amend and update the Schedule of Members. The Schedule of Members shall be the definitive record of ownership of each Unit of the Company and all relevant information with respect to each Member. Any reference in this Agreement to the Schedule of Members shall be deemed a reference to the Schedule of Members as amended and as in effect from time to time. The Company shall be entitled to recognize the exclusive right of a Person registered on its records as the owner of Units for all purposes and shall not be bound to recognize any equitable or other claim to or interest in Units on the part of any other Person, whether or not it shall have express or other notice thereof, except as otherwise provided by the Act.

(b) No Member shall be required or, except as approved by the Manager pursuant to Section 6.01 and in accordance with the other provisions of this Agreement, permitted to loan any money or property to the Company or borrow any money or property from the Company.

Section 1.02 Units. Interests in the Company shall be represented by Units, or such other securities of the Company, in each case as the Manager may establish in its discretion in accordance with the terms and subject to the restrictions hereof. To the extent required pursuant to Section 3.03(a), the Manager may create one or more classes or series of Common Units or preferred Units solely to the extent they are in the aggregate substantially equivalent to a class of common stock of the Corporation or class or series of preferred stock of the Corporation, respectively; provided that as long as there are any Members of the Company (other than the Corporation), then no such new class or series of Units may deprive such Members of, or dilute or reduce, the pro rata share of all Company Interests they would have received or to which they would have been entitled if such new class or series of Units had not been created except to the extent (and solely to the extent) the Company actually receives cash in an aggregate amount, or other property with a Fair Market Value in an aggregate amount, equal to the pro rata share of Company Interests allocated to such new class or series of Units and the number thereof issued by the Company.

Section 1.03 Authorization and Issuance of Additional Units.

(a) The Company shall undertake all actions requested by the Manager, including a reclassification, distribution, division or recapitalization, with respect to the Common Units, to maintain at all times a one-to-one ratio between the number of Common Units owned by the Corporation and the number of outstanding shares of Class A Common Stock, disregarding, for purposes of maintaining the one-to-one ratio, (i) Unvested

Corporate Shares, (ii) treasury stock, or (iii) preferred stock or other debt or equity securities (including warrants, options or rights) issued by the Corporation that are convertible into or exercisable or exchangeable for Class A Common Stock (except to the extent the net proceeds from such other securities, including any exercise or purchase price payable upon conversion, exercise or exchange thereof, has been contributed by the Corporation to the equity capital of the Company). In the event the Corporation issues, transfers or delivers from treasury stock or repurchases Class A Common Stock in a transaction not contemplated in this Agreement, the Manager shall take all actions such that, after giving effect to all such issuances, transfers, deliveries or repurchases, the number of outstanding Common Units owned by the Corporation will equal on a one-for-one basis the number of outstanding shares of Class A Common Stock, subject to the immediately preceding sentence. In the event the Corporation issues, transfers or delivers from treasury stock or repurchases or redeems the Corporation's preferred stock, if any, in a transaction not contemplated in this Agreement, the Manager shall have the authority to take all actions such that, after giving effect to all such issuances, transfers, deliveries, repurchases or redemptions, the Corporation holds (in the case of any issuance, transfer or delivery) or ceases to hold (in the case of any repurchase or redemption) equity interests in the Company which (in the good faith determination by the Manager) are in the aggregate substantially equivalent to the outstanding preferred stock of the Corporation so issued, transferred, delivered, repurchased or redeemed. The Company shall not undertake any subdivision (by any Common Unit split, Common Unit distribution, reclassification, recapitalization or similar event) or combination (by reverse Common Unit split, reclassification, recapitalization or similar event) of the Common Units that is not accompanied by an identical subdivision or combination of Class A Common Stock to maintain at all times a one-to-one ratio between the number of Common Units owned by the Corporation and the number of outstanding shares of Class A Common Stock, unless such action is necessary to maintain at all times a one-to-one ratio between the number of Common Units owned by the Corporation and the number of outstanding shares of Class A Common Stock, as contemplated by the first sentence of this Section 3.03(a).

(b) The Company shall only be permitted to issue additional Units or other Equity Securities in the Company to the Persons and on the terms and conditions provided for in Section 3.02, this Section 3.03, Section 3.9 and Section 3.10. Subject to the foregoing, the Manager may cause the Company to issue additional Common Units authorized under this Agreement at such times and upon such terms as the Manager shall determine and the Manager shall amend this Agreement as necessary in connection with the issuance of additional Common Units and admission of additional Members under this Section 3.03 without the requirement of any consent or acknowledgement of any other Member.

Section 1.04 Repurchase or Redemption of Shares of Class A Common Stock. If, at any time, any shares of Class A Common Stock are repurchased or redeemed (whether by exercise of a put or call, automatically or by means of another arrangement) by the Corporation for cash, then the Manager shall cause the Company, immediately prior to such repurchase or redemption of Class A Common Stock, to redeem a corresponding number of Common Units held by the Corporation, at an aggregate redemption price equal to the aggregate purchase or redemption price of the shares of Class A Common Stock being repurchased or redeemed by the Corporation and upon such other terms as are the same for the shares of Class A Common Stock being repurchased or redeemed by the Corporation. Notwithstanding any provision to the contrary in this Agreement, the Company shall not make any repurchase or redemption if such repurchase or redemption would violate any applicable Law.

Section 1.05 Certificates Representing Units; Lost, Stolen or Destroyed Certificates; Registration and Transfer of Units.

(a) Units shall not be certificated unless otherwise determined by the Manager. If the Manager determines that one or more Units shall be certificated, each such certificate shall be signed by or in the name of the Company, by the Chief Executive Officer and any other officer designated by the Manager, representing the number of Units held by such holder. Such certificate shall be in such form (and shall contain such legends) as the Manager may determine. Any or all of such signatures on any certificate representing one or more Units may be a facsimile, engraved or printed, to the extent permitted by applicable Law. The Manager agrees that it shall not elect to treat any Unit as a "security" within the meaning of Article 8 of the Uniform Commercial Code of any applicable jurisdiction unless thereafter all Units then outstanding are represented by one or more certificates.

(b) If Units are certificated, the Manager may direct that a new certificate representing one or more Units be issued in place of any certificate theretofore issued by the Company alleged to have been lost, stolen or destroyed, upon delivery to the Manager of an affidavit of the owner or owners of such certificate, setting forth such allegation. The Manager may require the owner of such lost, stolen or destroyed certificate, or such owner's legal representative, to give the Company a bond sufficient to indemnify it against any claim that may be made against it on account of the alleged loss, theft or destruction of any such certificate or the issuance of any such new certificate.

(c) Upon surrender to the Company or the transfer agent of the Company, if any, of a certificate for one or more Units, duly endorsed or accompanied by appropriate evidence of succession, assignment or authority to transfer, in compliance with the provisions hereof, the Company shall issue a new certificate representing one or more Units to the Person entitled thereto, cancel the old certificate and record the transaction upon its books. Subject to the provisions of this Agreement, the Manager may prescribe such additional rules and regulations as it may deem appropriate relating to the issue, Transfer and registration of Units.

Section 1.06 Negative Capital Accounts. No Member shall be required to pay to any other Member or the Company any deficit or negative balance which may exist from time to time in such Member's Capital Account (including upon and after dissolution of the Company).

Section 1.07 No Withdrawal. No Person shall be entitled to withdraw any part of such Person's Capital Contribution or Capital Account or to receive any Distribution from the Company, except as expressly provided in this Agreement.

Section 1.08 Loans From Members. Loans by Members to the Company shall not be considered Capital Contributions. Subject to the provisions of Section 3.01(b), the amount of any such advances shall be a debt of the Company to such Member and shall be payable or collectible in accordance with the terms and conditions upon which such advances are made.

Section 1.09 Corporation Stock Incentive Plans. Nothing in this Agreement shall be construed or applied to preclude or restrain the Corporation from adopting, modifying or terminating an Equity Plan or from issuing shares of Class A Common Stock pursuant to any such Equity Plans. The Corporation may implement such Equity Plans and any actions taken under such Equity Plans (such as the grant or exercise of options to acquire shares of Class A Common Stock, or the issuance of Unvested Corporate Shares), whether taken with respect to or by an employee or other service provider of the Corporation, the Company or its Subsidiaries, in a manner determined by the Corporation, in accordance with the initial implementation guidelines attached to this Agreement as Exhibit B, which may be amended by the Corporation from time to time. The Corporation may amend this Agreement (including Exhibit B) as necessary or advisable in its sole discretion in connection with the adoption, implementation, modification or termination of an Equity Plan. In the event of such an amendment by the Corporation, the Company will provide notice of such amendment to the Members. The Company is expressly authorized to issue Units (i) in accordance with the terms of any such Equity Plan, or (ii) in an amount equal to the number of shares of Class A Common Stock issued pursuant to any such Equity Plan, without any further act, approval or vote of any Member or any other Persons.

Section 1.10 Dividend Reinvestment Plan, Cash Option Purchase Plan, Stock Incentive Plan or Other Plan Except as may otherwise be provided in this Article III, including any guidelines adopted pursuant to Section 3.09, all amounts received or deemed received by the Corporation in respect of any dividend reinvestment plan, cash option purchase plan, stock incentive or other stock or subscription plan or agreement, either (a) shall be utilized by the Corporation to effect open market purchases of shares of Class A Common Stock, or (b) if the Corporation elects instead to issue new shares of Class A Common Stock with respect to such amounts, shall be contributed by the Corporation to the Company in exchange for additional Common Units. Upon such contribution, the Company will issue to the Corporation a number of Common Units equal to the number of new shares of Class A Common Stock so issued.

ARTICLE IV
DISTRIBUTIONS

Section 1.01 Distributions.

(a) *Distributable Cash; Other Distributions.* To the extent permitted by applicable Law and hereunder, Distributions to Members may be declared by the Manager out of Distributable Cash or other funds or property legally available therefor in such amounts and on such terms (including the payment dates of such Distributions) as the Manager shall determine using such record date as the Manager may designate; such Distributions shall be made to the Members as of the close of business on such record date on a pro rata basis in accordance with each Member's Percentage Interest as of the close of business on such record date; provided, however, that the Manager shall have the obligation to make Distributions as set forth in Sections 4.01(b) and 14.02; and, provided further, that, notwithstanding any other provision herein to the contrary, no Distributions shall be made to any Member to the extent such Distribution would render the Company insolvent. For purposes of the foregoing sentence, insolvency means either (i) the inability of the Company to pay its debts as they come due in the usual course of business, or (ii) the total assets of the Company being less than the sum of its total liabilities. Promptly following the designation of a record date and the declaration of a Distribution pursuant to this Section 4.01(a), the Manager shall give notice to each Member of the record date, the amount and the terms of the

Distribution and the payment date thereof. In furtherance of the foregoing, it is intended that the Manager shall, to the extent permitted by applicable Law and hereunder, have the right in its sole discretion to make Distributions to the Members pursuant to this Section 4.01(a) in such amounts as shall enable the Corporation to pay dividends or to meet its obligations, including its obligations pursuant to the Tax Receivable Agreement (to the extent such obligations are not otherwise able to be satisfied as a result of Tax Distributions required to be made pursuant to Section 4.01(b)).

(b) *Tax Distributions*.

(i) On or about each date (a "***Tax Distribution Date***") that is five (5) Business Days prior to each due date for the U.S. federal income tax return of an individual calendar year taxpayer (without regard to extensions) (or, if earlier, the due date for the U.S. federal income tax return of the Corporation, as determined without regard to extensions), the Company shall be required to make a Distribution to each Member of cash in an amount equal to the excess of such Member's Assumed Tax Liability, if any, for such taxable period over the Distributions previously made to such Member pursuant to this Section 4.01(b) with respect to such taxable period (the "***Tax Distributions***"). Notwithstanding the foregoing, the Manager may, in its discretion, make such Tax Distributions on a quarterly basis, and any date on which such Tax Distributions are made will be considered a Tax Distribution Date for purposes hereof.

(ii) To the extent a Member otherwise would be entitled to receive less than its Percentage Interest of the aggregate Tax Distributions to be paid pursuant to this Section 4.01(b) on any given date, the Tax Distributions to such Member shall be increased to ensure that all Distributions made pursuant to this Section 4.01(b) are made pro rata in accordance with such Member's Percentage Interest. If, on a Tax Distribution Date, there are insufficient funds on hand to distribute to the Members the full amount of the Tax Distributions to which such Members are otherwise entitled, Distributions pursuant to this Section 4.01(b) shall be made to the Members to the extent of available funds in accordance with their Percentage Interests and the Company shall make future Tax Distributions as soon as funds become available sufficient to pay the remaining portion of the Tax Distributions to which such Members are otherwise entitled.

(iii) In the event of any audit by, or similar event with, a taxing authority that affects the calculation of any Member's Assumed Tax Liability for any Taxable Year, or in the event the Company files an amended tax return, each Member's Assumed Tax Liability with respect to such year shall be recalculated by giving effect to such event (for the avoidance of doubt, taking into account interest or penalties). Any shortfall in the amount of Tax Distributions the Members and former Members received for the relevant Taxable Years based on such recalculated Assumed Tax Liability promptly shall be distributed to such Members and the successors of such former Members, except, for the avoidance of doubt, to the extent Distributions were made to such Members and former Members pursuant to Section 4.01(a) and this Section 4.01(b) in the relevant Taxable Years sufficient to cover such shortfall.

(iv) Notwithstanding the foregoing, Distributions pursuant to this Section 4.01(b), if any, shall be made to a Member (or its predecessor in interest) only to the extent all previous Distributions to such Member pursuant to Section 4.01(a) with respect to the Fiscal Year are less than the Distributions such Member (and its predecessor in interest) otherwise would have been entitled to receive with respect to such Fiscal Year pursuant to this Section 4.01(b).

Section 1.02 Restricted Distributions. Notwithstanding any provision to the contrary contained in this Agreement, the Company shall not make any Distribution to any Member on account of any Company Interest if such Distribution would violate any applicable Law.

ARTICLE V
CAPITAL ACCOUNTS; ALLOCATIONS; TAX MATTERS

Section 1.01 Capital Accounts.

(a) The Company shall maintain a separate Capital Account for each Member according to the rules of Treasury Regulation Section 1.704-1(b)(2)(iv). For this purpose, the Company may (in the discretion of the Manager), upon the occurrence of the events specified in Treasury Regulation Section 1.704-1(b)(2)(iv)(f), increase or decrease the Capital Accounts in accordance with the rules of such Treasury Regulation and Treasury Regulation Section 1.704-1(b)(2)(iv)(g) to reflect a revaluation of Company property.

(b) For purposes of computing the amount of any item of Company income, gain, loss or deduction to be allocated pursuant to this Article V and to be reflected in the Capital Accounts of the Members, the determination, recognition and classification of any such item shall be the same as its determination, recognition and classification for U.S. federal income tax purposes (including any method of depreciation, cost recovery or amortization used for this purpose); provided, however, that:

(i) The computation of all items of income, gain, loss and deduction shall include those items described in Code Section 705(a)(l)(B) or Code Section 705(a)(2)(B) and Treasury Regulation Section 1.704-1(b)(2)(iv)(i), without regard to the fact that such items are not includable in gross income or are not deductible for U.S. federal income tax purposes.

(ii) If the Book Value of any Company property is adjusted pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(f), the amount of such adjustment shall be taken into account as gain or loss from the disposition of such property.

(iii) Items of income, gain, loss or deduction attributable to the disposition of Company property having a Book Value that differs from its adjusted basis for tax purposes shall be computed by reference to the Book Value of such property.

(iv) Items of depreciation, amortization and other cost recovery deductions with respect to Company property having a Book Value that differs from its adjusted basis for tax purposes shall be computed by reference to the property's Book Value in accordance with Treasury Regulation Section 1.704-1(b)(2)(iv)(g).

(v) To the extent an adjustment to the adjusted tax basis of any Company asset pursuant to Code Sections 732(d), 734(b) or 743(b) is required, pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(m), to be taken into account in determining Capital Accounts, the amount of such adjustment to the Capital Accounts shall be treated as an item of gain (if the adjustment increases the basis of the asset) or loss (if the adjustment decreases such basis).

Section 1.02 Allocations. Except as otherwise provided in Section 5.03 and Section 5.04, Net Profits and Net Losses for any Fiscal Year or Fiscal Period shall be allocated among the Capital Accounts of the Members pro rata in accordance with their respective Percentage Interests.

Section 1.03 Regulatory Allocations.

(a) Losses attributable to partner nonrecourse debt (as defined in Treasury Regulation Section 1.704-2(b)(4)) shall be allocated in the manner required by Treasury Regulation Section 1.704-2(i). If there is a net decrease during a Taxable Year in partner nonrecourse debt minimum gain (as defined in Treasury Regulation Section 1.704-2(i)(3)), Profits for such Taxable Year (and, if necessary, for subsequent Taxable Years) shall be allocated to the Members in the amounts and of such character as determined according to Treasury Regulation Section 1.704-2(i)(4).

(b) Nonrecourse deductions (as determined according to Treasury Regulation Section 1.704-2(b)(1)) for any Taxable Year shall be allocated pro rata among the Members in accordance with their Percentage Interests. Except as otherwise provided in Section 4.03(a), if there is a net decrease in the Minimum Gain during any Taxable Year, each Member shall be allocated Profits for such Taxable Year (and, if necessary, for subsequent Taxable Years) in the amounts and of such character as determined according to Treasury Regulation Section 1.704-2(f). This Section 5.03(b) is intended to be a minimum gain chargeback provision that complies with the requirements of Treasury Regulation Section 1.704-2(f), and shall be interpreted in a manner consistent therewith.

(c) If any Member that unexpectedly receives an adjustment, allocation or Distribution described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d)(4), (5) and (6) has an Adjusted Capital Account Deficit as of the end of any Taxable Year, computed after the application of Sections 5.03(a) and 5.03(b) but before the application of any other provision of this Article V, then Profits for such Taxable Year shall be allocated to such Member in proportion to, and to the extent of, such Adjusted Capital Account Deficit. This Section 5.03(c) is intended to be a qualified income offset provision as described in Treasury Regulation Section 1.704-1(b)(2)(ii)(d) and shall be interpreted in a manner consistent therewith.

(d) If the allocation of Net Losses to a Member as provided in Section 5.02 would create or increase an Adjusted Capital Account Deficit, there shall be allocated to such Member only that amount of Losses as will not create or increase an Adjusted Capital Account Deficit. The Net Losses that would, absent the application of the preceding sentence, otherwise be allocated to such Member shall be allocated to the other Members in accordance with their relative Percentage Interests, subject to this Section 5.03(d).

(e) Profits and Losses described in Section 5.01(b)(v) shall be allocated in a manner consistent with the manner that the adjustments to the Capital Accounts are required to be made pursuant to Treasury Regulation Section 1.704-1(b)(2)(iv)(j), (k) and (m).

(f) The allocations set forth in Section 5.03(a) through and including Section 5.03(e) (the "***Regulatory Allocations***") are intended to comply with certain requirements of Sections 1.704-1(b) and 1.704-2 of the Treasury Regulations. The Regulatory Allocations may not be consistent with the manner in which the Members intend to allocate Profit and Loss of the Company or make Distributions. Accordingly, notwithstanding the other provisions of this Article V, but subject to the Regulatory Allocations, income, gain, deduction and loss shall be reallocated among the Members so as to eliminate the effect of the Regulatory Allocations and thereby cause the respective Capital Accounts of the Members to be in the amounts (or as close thereto as possible) they would have been if Profit and Loss (and such other items of income, gain, deduction and loss) had been allocated without reference to the Regulatory Allocations. In general, the Members anticipate that this will be accomplished by specially allocating other Profit and Loss (and such other items of income, gain, deduction and loss) among the Members so that the net amount of the Regulatory Allocations and such special allocations to each such Member is zero. In addition, if in any Fiscal Year or Fiscal Period there is a decrease in partnership minimum gain, or in partner nonrecourse debt minimum gain, and application of the minimum gain chargeback requirements set forth in Section 5.03(a) or Section 5.03(b) would cause a distortion in the economic arrangement among the Members, the Members may, if they do not expect that the Company will have sufficient other income to correct such distortion, request the Internal Revenue Service to waive either or both of such minimum gain chargeback requirements. If such request is granted, this Agreement shall be applied in such instance as if it did not contain such minimum gain chargeback requirement.

Section 1.04 Final Allocations. Notwithstanding any contrary provision in this Agreement except Section 5.03, the Manager shall make appropriate adjustments to allocations of Profits and Losses to (or, if necessary, allocate items of gross income, gain, loss or deduction of the Company among) the Members upon the liquidation of the Company (within the meaning of Section 1.704 1(b)(2)(ii)(g) of the Treasury Regulations), the transfer of substantially all the Units (whether by sale or exchange or merger) or sale of all or substantially all the assets of the Company, such that, to the maximum extent possible, the Capital Accounts of the Members are proportionate to their Percentage Interests. In each case, such adjustments or allocations shall occur, to the maximum extent possible, in the Fiscal Year of the event requiring such adjustments or allocations.

Section 1.05 Tax Allocations.

(a) The income, gains, losses, deductions and credits of the Company will be allocated, for federal, state and local income tax purposes, among the Members in accordance with the allocation of such income, gains, losses, deductions and credits among the Members for computing their Capital Accounts; provided that if any such allocation is not permitted by the Code or other applicable Law, the Company's subsequent income, gains, losses, deductions and credits will be allocated among the Members so as to reflect as nearly as possible the allocation set forth herein in computing their Capital Accounts.

(b) Items of Company taxable income, gain, loss and deduction with respect to any property contributed to the capital of the Company shall be allocated among the Members in accordance with Code Section 704(c) so as to take account of any variation between the adjusted basis of such property to the Company for federal income tax purposes and its Book Value using the traditional method, as described in Treasury Regulations Section 1.704-3(b).

(c) If the Book Value of any Company asset is adjusted pursuant to Section 5.01(b), subsequent allocations of items of taxable income, gain, loss and deduction with respect to such asset shall take account of any variation between the adjusted basis of such asset for federal income tax purposes and its Book Value in the same manner as under Code Section 704(c) using the traditional method, as described in Treasury Regulations Section 1.704-3(b).

(d) Allocations of tax credits, tax credit recapture, and any items related thereto shall be allocated to the Members pro rata as determined by the Manager taking into account the principles of Treasury Regulation Section 1.704-1(b)(4)(ii).

(e) For purposes of determining a Member's pro rata share of the Company's "excess nonrecourse liabilities" within the meaning of Treasury Regulation Section 1.752-3(a)(3), each Member's interest in income and gain shall be in proportion to the Units held by such Member.

(f) Allocations pursuant to this Section 5.05 are solely for purposes of federal, state and local taxes and shall not affect, or in any way be taken into account in computing, any Member's Capital Account or share of Profits, Losses, Distributions or other Company items pursuant to any provision of this Agreement.

Section 1.06 Indemnification and Reimbursement for Payments on Behalf of a Member. If the Company is obligated to pay any amount to a Governmental Entity (or otherwise makes a payment to a Governmental Entity) that is specifically attributable to a Member or a Member's status as such (including federal withholding or other taxes, state personal property taxes and state unincorporated business taxes), then such Person shall indemnify the Company in full for the entire amount paid (including interest, penalties and related expenses). The Manager may offset Distributions to which a Person is otherwise entitled under this Agreement against such Person's obligation to indemnify the Company under this Section 5.06. A Member's obligation to make contributions to the Company under this Section 5.06 shall survive the termination, dissolution, liquidation and winding up of the Company, and for purposes of this Section 5.06, the Company shall be treated as continuing in existence. The Company may pursue and enforce all rights and remedies it may have against each Member under this Section 5.06, including instituting a lawsuit to collect such contribution with interest calculated at a rate per annum equal to the sum of the Base Rate plus 300 basis points (but not in excess of the highest rate per annum permitted by Law). Each Member hereby agrees to furnish to the Company such information and forms as required or reasonably requested in order to comply with any laws and regulations governing withholding of tax or in order to claim any reduced rate of, or exemption from, withholding to which the Member is legally entitled.

ARTICLE VI
MANAGEMENT

Section 1.01 Authority of Manager.

(a) Except for situations in which the approval of any Member(s) is specifically required by this Agreement, (i) all management powers over the business and affairs of the Company shall be exclusively vested in the Corporation, as the sole manager of the Company (the Corporation, in such capacity, the "***Manager***") and (ii) the Manager shall conduct, direct and exercise full control over all activities of the Company. The Manager shall be the "manager" of the Company for the purposes of the Act. Except as otherwise expressly provided for herein and subject to the other provisions of this Agreement, the Members hereby consent to the exercise by the Manager of all such powers and rights conferred on the Members by the Act with respect to the management and control of the Company. Any vacancies in the position of Manager shall be filled in accordance with Section 6.04.

(b) The day-to-day business and operations of the Company shall be overseen and implemented by officers of the Company (each, an "***Officer***" and collectively, the "***Officers***"), subject to the limitations imposed by the Manager. An Officer may, but need not, be a Member. Each Officer shall be appointed by the Manager and shall hold office until his or her successor shall be duly designated and shall qualify or until his or her death or until he shall resign or shall have been removed in the manner hereinafter provided. Any one Person may hold more than one office. Subject to the other provisions in this Agreement (including in Section 6.07 below), the salaries or other compensation, if any, of the Officers of the Company shall be fixed from time to time by the Manager. The authority and responsibility of the Officers shall include, but not be limited to, such duties as the Manager may, from time to time, delegate to them and the carrying out of the Company's business and affairs on a day-to-day basis. All Officers shall be, and shall be deemed to be, officers and employees of the Company. An Officer may also perform one or more roles as an officer or director of the Manager and/or the Corporation.

(c) The Manager shall have the power and authority to effectuate the sale, lease, transfer, exchange or other disposition of any, all or substantially all of the assets of the Company (including the exercise or grant of any conversion, option, privilege or subscription right or any other right available in connection with any assets at any time held by the Company) or the merger, consolidation, reorganization or other combination of the Company with or into another entity.

Section 1.02 Actions of the Manager. The Manager may act through any Officer or through any other Person or Persons to whom authority and duties have been delegated pursuant to Section 6.07.

Section 1.03 Resignation; No Removal. The Manager may resign at any time by giving written notice to the Members. Unless otherwise specified in the notice, the resignation shall take effect upon receipt thereof by the Members, and the acceptance of the resignation shall not be necessary to make it effective. The Members have no right under this Agreement to remove or replace the Manager.

Section 1.04 Vacancies. Vacancies in the position of Manager occurring for any reason shall be filled by the Corporation (or, if the Corporation has ceased to exist without any successor or assign, then by the holders of a majority in interest of the voting capital stock of the Corporation immediately prior to such cessation). The Members have no right under this Agreement to fill any vacancy in the position of Manager.

Section 1.05 Transactions Between Company and Manager. The Manager may cause the Company to contract and deal with the Manager, or any Affiliate of the Manager, provided such contracts and dealings are on terms comparable to and competitive with those available to the Company from others dealing with the Company at arm's length or are approved by the Members and otherwise are permitted by agreements of the Company with third parties.

Section 1.06 Reimbursement for Expenses. The Manager shall not be compensated for its services as Manager of the Company except as expressly provided in this Agreement. The Members acknowledge and agree that the Manager has access to the public capital markets and that such status and the services performed by the Manager inure to the benefit of the Company and all Members; therefore, the Manager shall be reimbursed by the Company for any reasonable out-of-pocket expenses incurred on behalf of the Company, including without limitation all fees, expenses and costs associated with being a public company (including expenses incurred in connection with public reporting obligations, proxy statements, stockholder meetings, stock exchange fees, transfer agent fees, legal fees, SEC and FINRA filing fees and offering expenses) and maintaining its corporate existence. In the event that shares of Class A Common Stock are sold to underwriters in any public offering at a price per share that is lower than the price per share for which such shares of Class A Common Stock are sold to the public in such public offering, after taking into account underwriters' discounts or commissions and brokers' fees or commissions (such difference, the "***Discount***"), (i) the Manager shall be deemed to have contributed to the Company in exchange for newly-issued Common Units the full amount for which such shares of Class A Common Stock were sold to the public and (ii) the Company shall be deemed to have paid the Discount as an expense. To the extent practicable, expenses incurred by the Manager on behalf of or for the benefit of the Company shall be billed directly to and paid by the Company and, if and to the extent any reimbursements to the Manager or any of its Affiliates by the Company pursuant to this Section 6.06 constitute gross income to such Person (as opposed to the repayment of advances made by such Person on behalf of the Company), such amounts shall be treated as "guaranteed payments" within the meaning of Code Section 707(c) and shall not be treated as distributions for purposes of computing the Members' Capital Accounts.

Section 1.07 Delegation of Authority. The Manager (a) may, from time to time, delegate to one or more Persons such authority and duties as the Manager may deem advisable, and (b) may assign titles (including chief executive officer, president, chief executive officer, chief financial officers, chief operating officer, vice president, secretary, assistant secretary, treasurer or assistant treasurer) and delegate certain authority and duties to such Persons as the same may be amended, restated or otherwise modified from time to time. Any number of titles may be held by the same individual. The salaries or other compensation, if any, of such agents of the Company shall be fixed from time to time by the Manager, subject to the other provisions in this Agreement.

Section 1.08 Limitation of Liability of Manager.

(a) Except as otherwise provided herein or in an agreement entered into by such Person and the Company, neither the Manager nor any of the Manager's Affiliates shall be liable to the Company or to any Member that is not the Manager for any act or omission performed or omitted by the Manager in its capacity as the sole manager of the Company pursuant to authority granted to the Manager by this Agreement; provided, however, that, except as otherwise provided herein, such limitation of liability shall not apply to the extent the act or omission was attributable to the Manager's fraud, intentional misconduct or knowing violation of Law or for any present or future breaches of any representations, warranties or covenants by the Manager or its Affiliates contained herein or in the other agreements with the Company, in each case as determined by a final judgment, order or decree of an arbitrator or a court of competent jurisdiction which is not appealable or with respect to which the time for appeal therefrom has expired and no appeal has been perfected. The Manager may exercise any of the powers granted to it by this Agreement and perform any of the duties imposed upon it hereunder either directly or by or through its agents, and shall not be responsible for any misconduct or negligence on the part of any such agent (so long as such agent was selected in good faith and with reasonable care). The Manager shall be entitled to rely in good faith on the provisions of this Agreement and on information, opinions, reports or statements (including financial statements and information, opinions, reports or statements as to the value or amount of the assets, liabilities, profits or losses of the Company or any facts pertinent to the existence and amount of assets from which Distributions to Members might properly be paid) of the following other Persons or groups: one or more Officers or employees of the Company or the Manager; any attorney, independent accountant, appraiser or other expert or professional employed or engaged by or on behalf of the Company or the Manager; or any other Person who has been selected with reasonable care by or on behalf of the Company, or the Manager, in each case as to matters which such Member, Manager or Officer reasonably believes to be within such other Person's competence, and any act of or failure to act by the Manager in good faith reliance on such advice shall in no event subject the Manager to liability to the Company or any Member that is not the Manager.

(b) Whenever this Agreement or any other agreement contemplated herein provides that the Manager shall act in a manner which is, or provide terms which are, "fair and reasonable" to the Company or any Member that is not the Manager, the Manager shall determine such appropriate action or provide such terms considering, in each case, the relative interests of each party to such agreement, transaction or situation and the benefits and burdens relating to such interests, any customary or accepted industry practices, and any applicable United States generally accepted accounting practices or principles.

(c) Whenever in this Agreement or any other agreement contemplated herein, the Manager is permitted or required to take any action or to make a decision in its "sole discretion" or "discretion," with "complete discretion" or under a grant of similar authority or latitude, the Manager shall be entitled to consider such interests and factors as it desires, including its own interests, and shall, to the fullest extent permitted by applicable Law, have no duty or obligation to give any consideration to any interest of or factors affecting the Company or other Members.

(d) Whenever in this Agreement the Manager is permitted or required to take any action or to make a decision in its "good faith" or under another express standard, the Manager shall act under such express standard and, to the extent permitted by applicable Law, shall not be subject to any other or different standards imposed by this Agreement or any other agreement contemplated herein, and, notwithstanding anything contained herein to the contrary, so long as the Manager acts in good faith, the resolution, action or terms so made, taken or provided by the Manager shall not constitute a breach of this Agreement or any other agreement contemplated herein or impose liability upon the Manager or any of the Manager's Affiliates.

Section 1.09 Investment Company Act. The Manager shall use its best efforts to ensure that the Company shall not be subject to registration as an investment company pursuant to the Investment Company Act.

Section 1.10 Outside Activities of the Manager. The Manager shall not, directly or indirectly, enter into or conduct any business or operations, other than in connection with (a) the ownership, acquisition and disposition of Common Units, (b) the management of the business and affairs of the Company and its Subsidiaries, (c) the operation of the Manager as a reporting company with a class (or classes) of securities registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "***Exchange Act***"), and listed on a U.S. and, if approved by the Manager, other securities exchange, (d) the offering, sale, syndication, private placement or public offering of stock, bonds, securities or other interests, (e) financing or refinancing of any type related to the Company, its Subsidiaries or their assets or activities, and (f) such activities as are incidental to the foregoing; provided, however, that, except as otherwise provided herein, the net proceeds of any financing raised by the Manager pursuant to the preceding clauses (d) and (e) shall be made available to the Company, whether as Capital Contributions, loans or otherwise, as appropriate, and, provided further, that the Manager may, in its sole and absolute discretion, from time to time hold or acquire assets in its own name or otherwise other than through the Company and its Subsidiaries so long as the Manager takes commercially reasonable measures to ensure that the economic benefits and burdens of such assets are otherwise vested in the Company or its Subsidiaries, through assignment, mortgage loan or otherwise or, if it is not commercially reasonable to vest such economic interests in the Company or any of its Subsidiaries, the Members shall negotiate in good faith to amend this Agreement to reflect such activities and the direct ownership of assets by the Manager. Nothing contained herein shall be deemed to prohibit the Manager from executing any guarantee of indebtedness of the Company or its Subsidiaries.

ARTICLE VII
RIGHTS AND OBLIGATIONS OF MEMBERS

Section 1.01 Limitation of Liability and Duties of Members.

(a) Except as provided in this Agreement or in the Act, no Member (including the Manager) shall be obligated personally for any debt, obligation or liability solely by reason of being a Member. Notwithstanding anything contained herein to the contrary, the failure of the Company to observe any formalities or requirements relating to the exercise of its powers or management of its business and affairs under this Agreement or the Act shall not be grounds for imposing personal liability on the Members for liabilities of the Company.

(b) In accordance with the Act and the laws of the State of Delaware, a Member may, under certain circumstances, be required to return amounts previously distributed to such Member. It is the intent of the Members that no Distribution to any Member pursuant to Article IV shall be deemed a return of money or other property paid or distributed in violation of the Act. To the fullest extent permitted by Law, any Member receiving any such money or property shall not be required to return any such money or property to the Company or any other Person. However, if any court of competent jurisdiction holds that, notwithstanding the provisions of this Agreement, any Member is obligated to make any such payment, such obligation shall be the obligation of such Member and not of any other Member.

(c) Notwithstanding any other provision of this Agreement (subject to Section 6.08 with respect to the Manager), to the extent that, at law or in equity, any Member (or any Member's Affiliate or any manager, managing member, general partner, director, officer, employee, agent, fiduciary or trustee of any Member or of any Affiliate of a Member) has duties (including fiduciary duties) to the Company, to the Manager, to another Member, to any Person who acquires an interest in a Company Interest or to any other Person bound by this Agreement, all such duties (including fiduciary duties) are hereby eliminated, to the fullest extent permitted by law, and replaced with the duties or standards expressly set forth herein, if any. The elimination of duties (including fiduciary duties) to the Company, the Manager, each of the Members, each other Person who acquires an interest in a Company Interest and each other Person bound by this Agreement and replacement thereof with the duties or standards expressly set forth herein, if any, are approved by the Company, the Manager, each of the Members, each other Person who acquires an interest in a Company Interest and each other Person bound by this Agreement.

Section 1.02 Lack of Authority. No Member, other than the Manager or a duly appointed Officer, in each case in its capacity as such, has the authority or power to act for or on behalf of the Company, to do any act that would be binding on the Company or to make any expenditure on behalf of the Company. The Members hereby consent to the exercise by the Manager of the powers conferred on them by Law and this Agreement.

Section 1.03 No Right of Partition. No Member, other than the Manager, shall have the right to seek or obtain partition by court decree or operation of Law of any Company property, or the right to own or use particular or individual assets of the Company.

Section 1.04 Indemnification.

(a) Subject to Section 5.06, the Company hereby agrees to indemnify and hold harmless any Person (each an "***Indemnified Person***") to the fullest extent permitted under the Act, as the same now exists or may hereafter be amended, substituted or replaced (but, in the case of any such amendment, substitution or replacement only to the extent that such amendment, substitution or replacement permits the Company to provide broader indemnification rights than the Company is providing immediately prior to such amendment), against all expenses, liabilities and losses (including attorneys' fees, judgments, fines, excise taxes or penalties) reasonably incurred or suffered by such Person (or one or more of such Person's Affiliates) by reason of the fact that such Person is or was a Member or is or was serving at the request of the Company as the Manager, an Officer, an employee or another agent of the Company or is or was serving at the request of the Company as a manager, member, employee or agent of another limited liability company, corporation, partnership, joint venture, trust or other enterprise; provided, however, that no Indemnified Person shall be indemnified for actions not made in good faith and not or in a manner which he or she reasonably believed to be in or not opposed to the best interests of the Company, or, with respect to any criminal action or proceeding other than by or in the right of the Company, had reasonable cause to believe the conduct was unlawful, or for any present or future breaches of any representations, warranties or covenants by such Indemnified Person or its Affiliates contained herein or in the other agreements with the Company. Expenses, including attorneys' fees, incurred by any such Indemnified Person in defending a proceeding shall be paid by the Company as they are incurred and in advance of the final disposition of such action, suit or proceeding, upon receipt of an undertaking by or on behalf of such Indemnified Person to repay such amount if it shall ultimately be determined by a court of competent jurisdiction that such Indemnified Person is not entitled to be indemnified by the Company.

(b) The right to indemnification and the advancement of expenses conferred in this Section 7.04 shall not be exclusive of any other right which any Person may have or hereafter acquire under any statute, agreement, bylaw, action by the Manager or otherwise.

(c) The Company shall maintain directors' and officers' liability insurance, or make other financial arrangements, at its expense, to protect any Indemnified Person (and the investment funds, if any, they represent) against any expense, liability or loss described in Section 7.04(a) whether or not the Company would have the power to indemnify such Indemnified Person against such expense, liability or loss under the provisions of this Section 7.04. The Company shall use its commercially reasonable efforts to purchase directors' and officers' liability insurance (including employment practices coverage) with a carrier and in an amount determined necessary or desirable as determined in good faith by the Manager.

(d) Notwithstanding anything contained herein to the contrary (including in this Section 7.04), the Company agrees that any indemnification and advancement of expenses available to any current or former Indemnified Person from any investment fund that is an Affiliate of the Company who served as a director of the Company or as a Member of the Company by virtue of such Person's service as a member, director, partner or employee of any such fund (any such Person, a "***Sponsor Person***") shall be secondary to the indemnification and advancement of expenses to be provided by the Company pursuant to this Section 7.04 which shall be provided out of and to the extent of Company assets only and no Member (unless such Member otherwise agrees in writing or is found in a final decision by a court of competent jurisdiction to have personal liability on account thereof) shall have personal liability on account thereof or shall be required to make additional Capital Contributions to help satisfy such indemnity of the Company and the Company (i) shall be the primary indemnitor of first resort for such Sponsor Person pursuant to this Section 7.04 and (ii) shall be fully responsible for the advancement of all expenses and the payment of all damages or liabilities with respect to such Sponsor Person which are addressed by this Section 7.04.

(e) If this Section 7.04 or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Company shall nevertheless indemnify and hold harmless each Indemnified Person pursuant to this Section 7.04 to the fullest extent permitted by any applicable portion of this Section 7.04 that shall not have been invalidated and to the fullest extent permitted by applicable Law.

Section 1.05 Members Right to Act. For matters that require the approval of the Members, the Members shall act through meetings and written consents as described in paragraphs (a) and (b) below:

(a) Except as otherwise expressly provided by this Agreement, acts by the Members holding a majority of the Units, voting together as a single class, shall be the acts of the Members. Any Member entitled to vote at a meeting of Members or to express consent or dissent to Company action in writing without a meeting may authorize another Person or Persons to act for it by proxy. An electronic mail or similar transmission by the Member, or a photographic, photostatic, facsimile or similar reproduction of a writing executed by the Member shall (if stated thereon) be treated as a proxy executed in writing for purposes of this Section 7.05(a). No proxy shall be voted or acted upon after eleven months from the date thereof, unless the proxy provides for a longer period. A proxy shall be revocable unless the proxy form conspicuously states that the proxy is irrevocable and that the proxy is coupled with an interest. Should a proxy designate two or more Persons to act as proxies, unless that instrument shall provide to the contrary, a majority of such Persons present at any meeting at which their powers thereunder are to be exercised shall have and may exercise all the powers of voting or giving consents thereby conferred, or, if only one be present, then such powers may be exercised by that one; or, if an even number attend and a majority do not agree on any particular issue, the Company shall not be required to recognize such proxy with respect to such issue if such proxy does not specify how the votes that are the subject of such proxy are to be voted with respect to such issue.

(b) The actions by the Members permitted hereunder may be taken at a meeting called by the Manager or by the Members holding a majority of the Units entitled to vote on such matter on at least 72 hours' (unless a shorter period shall be acceptable to all of the Members) prior written notice to the other Members entitled to vote, which notice shall state the purpose or purposes for which such meeting is being called. The actions taken by the Members entitled to vote or consent at any meeting (as opposed to by written consent), however called and noticed, shall be as valid as though taken at a meeting duly held after regular call and notice if (but not until), either before, at or after the meeting, the Members entitled to vote or consent as to whom it was improperly held signs a written waiver of notice or a consent to the holding of such meeting or an approval of the minutes thereof. The actions by the Members entitled to vote or consent may be taken by vote of the Members entitled to vote or consent at a meeting or by written consent, so long as such consent is signed by Members having not less than the minimum number of Units that would be necessary to authorize or take such action at a meeting at which all Members entitled to vote thereon were present and voted. Prompt notice of the action so taken, which shall state the purpose or purposes for which such consent is required and may be delivered via email, without a meeting shall be given to those Members entitled to vote or consent who have not consented in writing; provided, however, that the failure to give any such notice shall not affect the validity of the action taken by such written consent. Any action taken pursuant to such written consent of the Members shall have the same force and effect as if taken by the Members at a meeting thereof.

Section 1.06 Inspection Rights. The Company shall permit each Member and each of its designated representatives, at such Member's expense, to (i) visit and inspect any of the properties of the Company and its Subsidiaries, all at reasonable times and upon reasonable notice, (ii) examine the corporate and financial records of the Company or any of its Subsidiaries and make copies thereof or extracts therefrom, and (iii) consult with the managers, officers, employees and independent accountants of the Company or any of its Subsidiaries concerning the affairs, finances and accounts of the Company or any of its Subsidiaries; provided, however, that the Company shall not be obligated pursuant to this Section 7.06 to provide access to any information that the Company considers to be a trade secret. The presentation of an executed copy of this Agreement by any Member to the Company's independent accountants shall constitute the Company's permission to its independent accountants to participate in discussions with such Persons and their respective designated representatives.

ARTICLE VIII
BOOKS, RECORDS, ACCOUNTING AND REPORTS, AFFIRMATIVE COVENANTS

Section 1.01 Records and Accounting. The Company shall keep, or cause to be kept, appropriate books and records with respect to the Company's business, including all books and records necessary to provide any information, lists and copies of documents required to be provided pursuant to Section 8.03 or pursuant to applicable Law. All matters concerning (a) the determination of the relative amount of allocations and Distributions among the Members pursuant to Articles III and IV and (b) accounting procedures and determinations, and other determinations not specifically and expressly provided for by the terms of this Agreement, shall be determined by the Manager, whose determination shall be final and conclusive as to all of the Members absent manifest clerical error.

Section 1.02 Fiscal Year. The Fiscal Year of the Company shall begin on the first day of January and end on the last day of December each year or such other date as may be established by the Manager.

Section 1.03 Reports. The Company shall deliver or cause to be delivered, within ninety (90) days after the end of each Fiscal Year, to each Person who was a Member at any time during such Fiscal Year, all information reasonably necessary for the preparation of such Person's United States federal and applicable state income tax returns.

ARTICLE IX
TAX MATTERS

Section 1.01 Preparation of Tax Returns. The Manager shall arrange for the preparation and timely filing of all tax returns required to be filed by the Company. On or before March 15, June 15, September 15, and December 15 of each Fiscal Year, the Company shall send to each Person who was a Member at any time during the prior quarter, an estimate of such Member's state tax apportionment information and allocations to the Members of taxable income, gains, losses, deductions and credits for the prior quarter, which estimate shall have been reviewed by the Company's outside tax accountants. In addition, no later than the later of (i) March 15 following the end of the prior Fiscal Year, and (ii) 30 Business Days after the issuance of the final financial statement report for a Fiscal Year by the Company's auditors, the Company shall send to each Person who was a Member at any time during such Fiscal Year, a statement showing such Member's final state tax apportionment information and allocations to the Members of taxable income, gains, losses, deductions and credits for such Fiscal Year and a completed IRS Schedule K-1. Each Member shall notify the other Members upon receipt of any notice of tax examination of the Company by federal, state or local authorities. Subject to the terms and conditions of this Agreement, in its capacity as Partnership Representative, the Corporation shall have the authority to prepare the tax returns of the Company using such permissible methods and elections as it determines in its reasonable discretion, including the use of any permissible method under Section 706 of the Code for purposes of determining the varying Company Interests of its Members.

Section 1.02 Tax Elections. The Taxable Year shall be the Fiscal Year set forth in Section 8.02. The Company and any eligible Subsidiary shall make an election pursuant to Section 754 of the Code, shall not thereafter revoke such election. Each Member will upon request supply any information reasonably necessary to give proper effect to any such elections.

Section 1.03 Tax Controversies. The Corporation shall be designated and may, on behalf of the Company, at any time, and without further notice to or consent from any Member, act as the "partnership representative" of the Company (within the meaning given to such term in Section 6223 of the Code) (the "***Partnership Representative***") for purposes of the Code. The Partnership Representative shall have the right and obligation to take all actions authorized and required, respectively, by the Code for the Partnership Representative and is authorized and required to represent the Company (at the Company's expense) in connection with all examinations of the Company's affairs by tax authorities, including resulting administrative and judicial proceedings, and to expend Company funds for professional services reasonably incurred in connection therewith. Each Member agrees to cooperate with the Company and to do or refrain from doing any or all things reasonably requested by the Company with respect to the conduct of such proceedings. The Partnership Representative shall keep all Members fully advised on a current basis of any contacts by or discussions with the tax authorities, and the Members shall have the right to observe and participate through representatives of their own choosing (at their sole expense) in any tax proceedings.

ARTICLE X
RESTRICTIONS ON TRANSFER OF UNITS; PREEMPTIVE RIGHTS

Section 1.01 Transfers by Members. No holder of Units may Transfer any interest in any Units, except Transfers (a) pursuant to and in accordance with Section 10.02 or (b) approved in writing by the Manager. Notwithstanding the foregoing, "Transfer" shall not include an event that terminates the existence of a Member for income tax purposes (including a change in entity classification of a Member under Treasury Regulations Section 301.7701-3, a sale of assets by, or liquidation of, a Member pursuant to an election under Code Sections 336 or 338, or merger, severance, or allocation within a trust or among sub-trusts of a trust that is a Member), but that does not terminate the existence of such Member under applicable state law (or, in the case of a trust that is a Member, does not terminate the trusteeship of the fiduciaries under such trust with respect to all the Company Interests of such trust that is a Member).

Section 1.02 Permitted Transfers. The restrictions contained in Section 10.01 shall not apply to any Transfer (each, a "***Permitted Transfer***") pursuant to (i)(A) a Change of Control Transaction, (B) a Redemption or Exchange in accordance with Article XI hereof or (C) a Transfer by a Member to the Corporation or any of its Subsidiaries; (ii) a Transfer by any Member to such Member's spouse, any lineal ascendants or descendants or trusts or other entities in which such Member or Member's spouse, lineal ascendants or descendants hold (and continue to hold while such trusts or other entities hold Units) 50% or more of such entity's beneficial interests; (iii) the laws of descent and distribution and (iv) a Transfer to a partner, shareholder, member or Affiliated investment fund of such Member; provided, however, that (A) the restrictions contained in this Agreement will continue to apply to Units after any Permitted Transfer of such Units, and (B) in the case of the foregoing clauses (ii), (iii) and (iv), the transferees of the Units so Transferred shall agree in writing to be bound by the provisions of this Agreement and, the transferor will deliver a written notice to the Company and the Members, which notice will disclose in reasonable detail the identity of the proposed transferee. In the case of a Permitted Transfer by any Member of Common Units to a transferee in accordance with this Section 10.02, such Member (or any subsequent transferee of such Member) shall be required to also transfer one share of Class B Common Stock, for each Common Unit that is transferred in the transaction to such transferee. All Permitted Transfers are subject to the additional limitations set forth in Section 10.07(b).

Section 1.03 Restricted Units Legend. The Units have not been registered under the Securities Act and, therefore, in addition to the other restrictions on Transfer contained in this Agreement, cannot be sold unless subsequently registered under the Securities Act or an exemption from such registration is then available. To the extent such Units have been certificated, each certificate evidencing Units and each certificate issued in exchange for or upon the Transfer of any Units (if such securities remain Units as defined herein after such Transfer) shall be stamped or otherwise imprinted with a legend in substantially the following form: "THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "ACT"), AND MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE ACT OR AN EXEMPTION FROM REGISTRATION THEREUNDER. THE SECURITIES REPRESENTED BY THIS CERTIFICATE ARE ALSO SUBJECT TO ADDITIONAL RESTRICTIONS ON TRANSFER SPECIFIED IN THE FOURTH AMENDED AND RESTATED OPERATING AGREEMENT OF GREENLANE HOLDINGS, LLC, AS MAY BE AMENDED AND MODIFIED FROM TIME TO TIME, AND GREENLANE HOLDINGS, LLC RESERVES THE RIGHT TO REFUSE THE TRANSFER OF SUCH SECURITIES UNTIL SUCH CONDITIONS HAVE BEEN FULFILLED WITH RESPECT TO ANY TRANSFER. A COPY OF SUCH CONDITIONS SHALL BE FURNISHED BY GREENLANE HOLDINGS, LLC TO THE HOLDER HEREOF UPON WRITTEN REQUEST AND WITHOUT CHARGE." The Company shall imprint such legend on certificates (if any) evidencing Units. The legend set forth above shall be removed from the certificates (if any) evidencing any units which cease to be Units in accordance with the definition thereof.

Section 1.04 Transfer. Prior to Transferring any Units (other than pursuant to a Change of Control Transaction), the Transferring Holder of Units shall cause the prospective Assignee to be bound by this Agreement as provided in Section 10.02 and any other agreements executed by the holders of Units and relating to such Units in the aggregate (collectively, the "***Other Agreements***"), and shall cause the prospective Assignee to execute and deliver to the Company and the other holders of Units counterparts of this Agreement and any applicable Other Agreements. Any Transfer or attempted Transfer of any Units in violation of any provision of this Agreement (including any prohibited indirect Transfers) shall be void, and in the event of any such Transfer or attempted Transfer, the Company shall not record such Transfer on its books or treat any purported Assignee of such Units as the owner of such securities for any purpose.

Section 1.05 Assignee's Rights.

(a) The Transfer of a Company Interest in accordance with this Agreement shall be effective as of the date of its assignment (assuming compliance with all of the conditions to such Transfer set forth herein), and such Transfer shall be shown on the books and records of the Company. Profits, Losses and other Company items shall be allocated between the transferor and the Assignee according to Code Section 706, using any permissible method as determined in the reasonable discretion of the Manager. Distributions made before the effective date of such Transfer shall be paid to the transferor, and Distributions made after such date shall be paid to the Assignee.

(b) Unless and until an Assignee becomes a Member pursuant to Article XII, the Assignee shall not be entitled to any of the rights granted to a Member hereunder or under applicable Law, other than the rights granted specifically to Assignees pursuant to this Agreement; provided, however, that, without relieving the transferring Member from any such limitations or obligations as more fully described in Section 10.06, such Assignee shall be bound by any limitations and obligations of a Member contained herein that a Member would be bound on account of the Assignee's Company Interest (including the obligation to make Capital Contributions on account of such Company Interest).

Section 1.06 Assignor's Rights and Obligations. Any Member who shall Transfer any Company Interest in a manner in accordance with this Agreement shall cease to be a Member with respect to such Units or other interest and shall no longer have any rights or privileges, or, except as set forth in this Section 10.06, duties, liabilities or obligations, of a Member with respect to such Units or other interest (it being understood, however, that the applicable provisions of Sections 6.08 and 7.04 shall continue to inure to such Person's benefit), except that unless and until the Assignee (if not already a Member) is admitted as a Substituted Member in accordance with the provisions of Article XII (the "***Admission Date***"), (i) such assigning Member shall retain all of the duties, liabilities and obligations of a Member with respect to such Units or other interest, and (ii) the Manager may, in its sole discretion, reinstate all or any portion of the rights and privileges of such Member with respect to such Units or other interest for any period of time prior to the Admission Date. Nothing contained herein shall relieve any Member who Transfers any Units or other interest in the Company from any liability of such Member to the Company with respect to such Company Interest that may exist on the Admission Date or that is otherwise specified in the Act and incorporated into this Agreement or for any liability to the Company or any other Person for any materially false statement made by such Member (in its capacity as such) or for any present or future breaches of any representations, warranties or covenants by such Member (in its capacity as such) contained herein or in the other agreements with the Company.

Section 1.07 Overriding Provisions.

(a) Any Transfer in violation of this Article X shall be null and void ab initio, and the provisions of Sections 10.05 and 10.06 shall not apply to any such Transfers. For the avoidance of doubt, any Person to whom a Transfer is made or attempted in violation of this Article X shall not become a Member, shall not be entitled to vote on any matters coming before the Members and shall not have any other rights in or with respect to any rights of a Member of the Company. The approval of any Transfer in any one or more instances shall not limit or waive the requirement for such approval in any other or future instance. The Manager shall promptly amend the Schedule of Members to reflect any Permitted Transfer pursuant to this Article X.

(b) Notwithstanding anything contained herein to the contrary (including, for the avoidance of doubt, the provisions of Section 10.01 and Article XI and Article XII), in no event shall any Member Transfer any Units to the extent such Transfer could, in the reasonable determination of the Manager:

(i) result in a violation of the Securities Act, or any other applicable federal, state or foreign Laws;

(ii) cause an assignment under the Investment Company Act;

(iii) be a violation of or a default (or an event that, with notice or the lapse of time or both, would constitute a default) under, or result in an acceleration of any indebtedness under, any promissory note, mortgage, loan agreement, indenture or similar instrument or agreement to which the Company or the Manager is a party; provided that (x) the payee or creditor to whom the Company or the Manager owes such obligation is not an affiliate of the Company or the Manager and (y) such indebtedness, individually or in the aggregate, has an aggregate principal amount then outstanding that is greater than $5,000,000;

(iv) cause the Company to lose its status as a partnership for federal income tax purposes or, without limiting the generality of the foregoing, such Transfer was effected on or through an "established securities market" or a "secondary market or the substantial equivalent thereof," as such terms are used in Section 1.7704-1 of the Treasury Regulations;

(v) be a Transfer to a Person who is not legally competent or who has not achieved his or her majority under applicable Law (excluding trusts for the benefit of minors);

(vi) cause the Company or any Member or the Manager to be treated as a fiduciary under the Employee Retirement Income Security Act of 1974, as amended;

(vii) cause the Company (as determined by the Manager in its sole discretion) to be treated as a "publicly traded partnership" or to be taxed as a corporation pursuant to Section 7704 of the Code or successor provision of the Code; or

(viii) result in the Company having more than one hundred (100) partners, within the meaning of Treasury Regulations Section 1.7704-1(h)(1) (determined pursuant to the rules of Treasury Regulations Section 1.7704-1(h)(3)) in any Taxable Year that is not a Restricted Taxable Year.

Section 1.08 Spousal Consent. In connection with the execution and delivery of this Agreement, any Member who is a natural person will deliver to the Company an executed consent from such Member's spouse (if any) in the form of Exhibit C-1 attached hereto or a Member's spouse confirmation of separate property in the form of Exhibit C-2 attached hereto. If, at any time subsequent to the date of this Agreement such Member becomes legally married (whether in the first instance or to a different spouse), such Member shall cause his or her spouse to execute and deliver to the Company a consent in the form of Exhibit C-1 or Exhibit C-2, as applicable. Such Member's non-delivery to the Company of an executed consent in the form of Exhibit C-1 or Exhibit C-2, as applicable, at any time shall constitute such Member's continuing representation and warranty that such Member is not legally married as of such date.

Section 1.09 Tender Offers and Other Events with respect to the Corporation.

(a) In the event that a tender offer, share exchange offer, issuer bid, take-over bid, recapitalization or similar transaction with respect to Class A Common Stock (a "***Pubco Offer***") is proposed by the Corporation or is proposed to the Corporation or its stockholders and approved by the Corporate Board or is otherwise effected or to be effected with the consent or approval of the Corporate Board, the Common Unitholders shall be permitted to participate in such Pubco Offer by delivery of a Redemption Notice (which Redemption Notice shall be effective immediately prior to the consummation of such Pubco Offer (and, for the avoidance of doubt, shall be contingent upon such Pubco Offer and not be effective if such Pubco Offer is not consummated)). In the case of a Pubco Offer proposed by the Corporation, the Corporation will use its reasonable best efforts expeditiously and in good faith to take all such actions and do all such things as are necessary or desirable to enable and permit the Common Unitholders to participate in such Pubco Offer to the same extent or on an economically equivalent basis as the holders of shares of Class A Common Stock without discrimination; provided, that without limiting the generality of this sentence (and without limiting the ability of any Member holding Common Units to consummate a Redemption at any time pursuant to the terms of this Agreement), the Manager will use its reasonable best efforts expeditiously and in good faith to ensure that such Common Unitholders may participate in such Pubco Offer without being required to have their Common Units and shares of Class B Common Stock redeemed (or, if so required, to ensure that any such redemption shall be effective only upon, and shall be conditional upon, the closing of the transactions contemplated by the Pubco Offer). For the avoidance of doubt, in no event shall Common Unitholders be entitled to receive in such Pubco Offer aggregate consideration for each Common Unit that is greater than the consideration payable in respect of each share of Class A Common Stock in connection with a Pubco Offer (it being understood that payments under or in respect of the Tax Receivable Agreement shall not be considered part of any such consideration).

(b) The Corporation shall send written notice to the Company and the Common Unitholders at least thirty (30) days prior to the closing of the transactions contemplated by the Pubco Offer notifying them of their rights pursuant to this Section 10.09, and setting forth (i) a copy of the written proposal or agreement pursuant to which the Pubco Offer will be effected, (ii) the consideration payable in connection therewith, (iii) the terms and conditions of transfer and payment and (iv) the date and location of and procedures for selling Common Units. In the event that the information set forth in notice changes from that set forth in the initial notice, a subsequent notice shall be delivered by the Corporation no less than seven (7) days prior to the closing of the Pubco Offer.

ARTICLE XI
REDEMPTION AND EXCHANGE RIGHTS

Section 1.01 Redemption Right of a Member.

(a) *Redemption Notice*.

(i) Subject to the provisions set forth in this Section 11.01, each Member (other than the Corporation) shall be entitled to cause the Company to redeem (a "***Redemption***") its Common Units (the "***Redemption Right***") at any time. A Member desiring to exercise its Redemption Right (the "***Redeeming Member***") shall exercise such right by giving written notice (the "***Redemption Notice***") to the Company with a copy to the Corporation. The Redemption Notice shall specify the number of Common Units (the "***Redeemed Units***") that the Redeeming Member intends to have the Company redeem and a date (unless and to the extent that the Manager in its sole discretion agrees in writing to waive such time periods) on which exercise of the Redemption Right shall be completed, which complies with the requirements set forth in Section 11.01(a)(ii) (the "***Redemption Date***"); provided that (x) if the Redemption Date occurs in a Restricted Taxable Year, the Redemption Date must be a date that satisfies the conditions of Section 11.01(a)(ii), and (y) the Company, the Corporation and the Redeeming Member may change the number of Redeemed Units and/or the Redemption Date specified in such Redemption Notice to another number and/or date by mutual agreement signed in writing by each of them; provided further that a Redemption Notice may be conditioned on the closing of an underwritten distribution of the shares of Class A Common Stock that may be issued in connection with such proposed Redemption. Unless the Redeeming Member timely has delivered a Retraction Notice as provided in Section 11.01(b) or has revoked or delayed a Redemption as provided in Section 11.01(c), on the Redemption Date (to be effective immediately prior to the close of business on the Redemption Date) (A) the Redeeming Member shall transfer and surrender the Redeemed Units to the Company, free and clear of all liens and encumbrances, and (B) the Company shall (x) cancel the Redeemed Units, (y) transfer to the Redeeming Member the consideration to which the Redeeming Member is entitled under Section 11.01(b), and (z), if the Units are certificated, issue to the Redeeming Member a certificate for a number of Common Units equal to the difference (if any) between the number of Common Units evidenced by the certificate surrendered by the Redeeming Member pursuant to clause (B) of this Section 11.01(a)(i) and the number of Redeemed Units.

(ii) Except as provided in Section 11.01(f), any Redemption Date that occurs in a Restricted Taxable Year must be a Quarterly Redemption Date not less than sixty (60) days after delivery of the applicable Redemption Notice. Except as provided in Section 11.01(f), any Redemption Date that occurs in a year that is not a Restricted Taxable Year must be not less than seven (7) Business Days nor more than ten (10) Business Days after delivery of the applicable Redemption Notice.

(b) In exercising its Redemption Right, a Redeeming Member shall be entitled to receive the Share Settlement or the Cash Settlement; provided that, except as provided in Section 11.01(f), the Corporation shall have the option (as determined solely by its Independent Directors who are disinterested) as provided in Section 11.02 and subject to Section 11.01(d) to select whether the redemption payment is made by means of a Share Settlement or a Cash Settlement. Within three (3) Business Days of delivery of the Redemption Notice, the Corporation shall give written notice (the "***Contribution Notice***") to the Company (with a copy to the Redeeming Member) of its intended settlement method; provided that if the Corporation does not timely deliver a Contribution Notice, the Corporation shall be deemed to have elected the Share Settlement method. If the Corporation elects the Cash Settlement method, the Redeeming Member may retract its Redemption Notice by giving written notice (the "***Retraction Notice***") to the Company (with a copy to the Corporation) within two (2) Business Days of delivery of the Contribution Notice. The timely delivery of a Retraction Notice shall terminate all of the Redeeming Member's, Company's and the Corporation' rights and obligations under this Section 11.01 arising from the Redemption Notice.

(c) In the event the Corporation elects a Share Settlement in connection with a Redemption, a Redeeming Member shall be entitled to revoke its Redemption Notice or delay the consummation of a Redemption if any of the following conditions exists: (i) any registration statement pursuant to which the resale of the Class A Common Stock to be registered for such Redeeming Member at or immediately following the consummation of the Redemption shall have ceased to be effective pursuant to any action or inaction by the SEC or no such resale registration statement has yet become effective; (ii) the Corporation shall have failed to cause any related prospectus to be supplemented by any required prospectus supplement necessary to effect such Redemption; (iii) the Corporation shall have exercised its right to defer, delay or suspend the filing or effectiveness of a registration statement and such deferral, delay or suspension shall affect the ability of such Redeeming Member to have its Class A Common Stock registered at or immediately following the consummation of the Redemption; (iv) the Corporation shall have disclosed to such Redeeming Member any material non-public information concerning the Corporation, the receipt of which could reasonably be determined to result in such Redeeming Member being prohibited or restricted from selling Class A Common Stock at or immediately following the Redemption without disclosure of such information (and the Corporation does not permit disclosure); (v) any stop order relating to the registration statement pursuant to which the Class A Common Stock was to be registered by such Redeeming Member at or immediately following the Redemption shall have been issued by the SEC; (vi) there shall have occurred a material disruption in the securities markets generally or in the market or markets in which the Class A Common Stock is then traded; (vii) there shall be in effect an injunction, a restraining order or a decree of any nature of any Governmental Entity that restrains or prohibits the Redemption; (viii) the Corporation shall have failed to comply in all material respects with its obligations under the Registration Rights Agreement, and such failure shall have affected the ability of such Redeeming Member to consummate the resale of Class A Common Stock to be received upon such redemption pursuant to an effective registration statement; (ix) the Redemption Date would occur three (3) Business Days or less prior to, or during, a Black-Out Period; provided further, that in no event shall the Redeeming Member seeking to revoke its Redemption Notice or delay the consummation of such Redemption and relying on any of the matters contemplated in clauses (i) through (ix) above have controlled or intentionally materially influenced any facts, circumstances, or Persons in connection therewith (except in the good faith performance of his or her duties as an officer or director of the Corporation) in order to provide such Redeeming Member with a basis for such delay or revocation. If a Redeeming Member delays the consummation of a Redemption pursuant to this Section 11.01(c), the Redemption Date shall occur on the fifth Business Day following the date on which the conditions giving rise to such delay cease to exist (or such earlier day as the Corporation, the Company and such Redeeming Member may agree in writing).

(d) The number of shares of Class A Common Stock or the Redeemed Units Equivalent that a Redeeming Member is entitled to receive under Section 11.01(b) (through a Share Settlement or Cash Settlement, as applicable) shall not be adjusted on account of any Distributions previously made with respect to the Redeemed Units or dividends previously paid with respect to Class A Common Stock; *provided, however*, that if a Redeeming Member causes the Company to redeem Redeemed Units and the Redemption Date occurs subsequent to the record date for any Distribution with respect to the Redeemed Units but prior to payment of such Distribution, the Redeeming Member shall be entitled to receive such Distribution with respect to the Redeemed Units on the date that it is made notwithstanding that the Redeeming Member transferred and surrendered the Redeemed Units to the Company prior to such date.

(e) In the event of a reclassification or other similar transaction as a result of which the shares of Class A Common Stock are converted into another security, then in exercising its Redemption Right a Redeeming Member shall be entitled to receive the amount of such security that the Redeeming Member would have received if such Redemption Right had been exercised and the Redemption Date had occurred immediately prior to the record date of such reclassification or other similar transaction. Notwithstanding anything to the contrary contained herein, neither the Company nor the Corporation shall be obligated to effectuate a Redemption if such Redemption (in the sole discretion of the Manager) could cause the Company to be treated as a "publicly traded partnership" or to be taxed as a corporation pursuant Section 7704 of the Code or successor provisions of the Code.

Section 1.02 Election and Contribution of the Corporation. In connection with the exercise of a Redeeming Member's Redemption Rights under Section 11.01(a), the Corporation shall contribute to the Company the consideration the Redeeming Member is entitled to receive under Section 11.01(b). Except as provided in Section 11.01(f), the Corporation, at its option (as determined solely by its Independent Directors who are disinterested), shall determine whether to contribute, pursuant to Section 11.01(b), the Share Settlement or the Cash Settlement. Unless the Redeeming Member has timely delivered a Retraction Notice as provided in Section 11.01(b), or has revoked or delayed a Redemption as provided in Section 11.01(c), on the Redemption Date (to be effective immediately prior to the close of business on the Redemption Date) (i) the Corporation shall make its Capital Contribution to the Company (in the form of the Share Settlement or the Cash Settlement) required under this Section 11.02, and (ii) the Company shall issue to the Corporation a number of Common Units equal to the number of Redeemed Units surrendered by the Redeeming Member. Notwithstanding any other provisions of this Agreement to the contrary, in the event that the Corporation elects a Cash Settlement, the Corporation shall only be obligated to contribute to the Company an amount in respect of such Cash Settlement equal to the net proceeds (after deduction of any underwriters' discounts or commissions and brokers' fees or commissions) from the sale by the Corporation of a number of shares of Class A Common Stock equal to the number of Redeemed Units to be redeemed with such Cash Settlement provided that the Corporation's Capital Account shall be increased by an amount equal to any Discount relating to such sale of shares of Class A Common Stock in accordance with Section 6.06. The timely delivery of a Retraction Notice shall terminate all of the Company's and the Corporation' rights and obligations under this Section 11.02 arising from the Redemption Notice.

Section 1.03 Exchange Right of the Corporation.

(a) Notwithstanding anything to the contrary in this Article XI, the Corporation may, in its sole and absolute discretion (as determined solely by its Independent Directors who are disinterested), elect to effect on the Redemption Date the exchange of Redeemed Units for the Share Settlement or Cash Settlement, as the case may be, through a direct exchange of such Redeemed Units and such consideration between the Redeeming Member and the Corporation (a "***Direct Exchange***"). Upon such Direct Exchange pursuant to this Section 11.03, the Corporation shall acquire the Redeemed Units and shall be treated for all purposes of this Agreement as the owner of such Units.

(b) The Corporation may, at any time prior to a Redemption Date, deliver written notice (an "***Exchange Election Notice***") to the Company and the Redeeming Member setting forth its election to exercise its right to consummate a Direct Exchange; provided that such election does not prejudice the ability of the parties to consummate a Redemption or Direct Exchange on the Redemption Date. An Exchange Election Notice may be revoked by the Corporation at any time; provided that any such revocation does not prejudice the ability of the parties to consummate a Redemption or Direct Exchange on the Redemption Date. The right to consummate a Direct Exchange in all events shall be exercisable for all the Redeemed Units that would have otherwise been subject to a Redemption. Except as otherwise provided by this Section 11.03, a Direct Exchange shall be consummated pursuant to the same timeframe and in the same manner as the relevant Redemption would have been consummated if the Corporation had not delivered an Exchange Election Notice.

Section 1.04 Reservation of Shares of Class A Common Stock; Listing; Certificate of the Corporation. At all times the Corporation shall reserve and keep available out of its authorized but unissued Class A Common Stock, solely for the purpose of issuance upon a Redemption or Direct Exchange, such number of shares of Class A Common Stock as shall be issuable upon any such Redemption or Direct Exchange pursuant to Share Settlements; provided that nothing contained herein shall be construed to preclude the Corporation from satisfying its obligations in respect of any such Redemption or Direct Exchange by delivery of purchased Class A Common Stock (which may or may not be held in the treasury of the Corporation) or the delivery of cash pursuant to a Cash Settlement. The Corporation shall deliver Class A Common Stock that has been registered under the Securities Act with respect to any Redemption or Direct Exchange to the extent a registration statement is effective and available for such shares. The Corporation shall use its commercially reasonable efforts to list the Class A Common Stock required to be delivered upon any such Redemption or Direct Exchange prior to such delivery upon each national securities exchange upon which the outstanding shares of Class A Common Stock are listed at the time of such Redemption or Direct Exchange (it being understood that any such shares may be subject to transfer restrictions under applicable securities Laws). The Corporation covenants that all Class A Common Stock issued upon a Redemption or Direct Exchange will, upon issuance, be validly issued, fully paid and non-assessable. The provisions of this Article XI shall be interpreted and applied in a manner consistent with the corresponding provisions of the Corporation's certificate of incorporation.

Section 1.05 Effect of Exercise of Redemption or Exchange Right. This Agreement shall continue notwithstanding the consummation of a Redemption or Direct Exchange and all governance or other rights set forth herein shall be exercised by the remaining Members and the Redeeming Member (to the extent of such Redeeming Member's remaining interest in the Company). No Redemption or Direct Exchange shall relieve such Redeeming Member of any prior breach of this Agreement.

Section 1.06 Tax Treatment. Unless otherwise required by applicable Law, the parties hereto acknowledge and agree a Redemption or a Direct Exchange, as the case may be, shall be treated as a direct exchange between the Corporation and the Redeeming Member for U.S. federal and applicable state and local income tax purposes.

ARTICLE XII
ADMISSION OF MEMBERS

Section 1.01 Substituted Members. Subject to the provisions of Article X hereof, in connection with the Permitted Transfer of a Company Interest hereunder, the transferee shall become a substituted Member ("***Substituted Member***") on the effective date of such Permitted Transfer, which effective date shall not be earlier than the date of compliance with the conditions to such Transfer, and such admission shall be shown on the books and records of the Company.

Section 1.02 Additional Members. Subject to the provisions of Article X hereof, any Person that is not a Member as of the date hereof may be admitted to the Company as an additional Member (any such Person, an "***Additional Member***") only upon furnishing to the Manager (a) counterparts of this Agreement and any applicable Other Agreements and (b) such other documents or instruments as may be reasonably necessary or appropriate to effect such Person's admission as a Member (including entering into such documents as the Manager may deem appropriate in its reasonable discretion). Such admission shall become effective on the date on which the Manager determines in its reasonable discretion that such conditions have been satisfied and when any such admission is shown on the books and records of the Company.

ARTICLE XIII
WITHDRAWAL AND RESIGNATION; TERMINATION OF RIGHTS

Section 1.01 Withdrawal and Resignation of Members. No Member shall have the power or right to withdraw or otherwise resign as a Member from the Company prior to the dissolution and winding up of the Company pursuant to Article XIV. Any Member, however, that attempts to withdraw or otherwise resign as a Member from the Company without the prior written consent of the Manager upon or following the dissolution and winding up of the Company pursuant to Article XIV, but prior to such Member receiving the full amount of

Distributions from the Company to which such Member is entitled pursuant to Article XIV, shall be liable to the Company for all damages (including all lost profits and special, indirect and consequential damages) directly or indirectly caused by the withdrawal or resignation of such Member. Upon a Transfer of all of a Member's Units in a Transfer permitted by this Agreement, subject to the provisions of Section 10.06, such Member shall cease to be a Member.

ARTICLE XIV
DISSOLUTION AND LIQUIDATION

Section 1.01 Dissolution. The Company shall not be dissolved by the admission of Additional Members or Substituted Members or the attempted withdrawal or resignation of a Member. The Company shall dissolve, and its affairs shall be wound up, upon:

(a) the decision of the Manager together with the holders of a majority of the then-outstanding Common Units entitled to vote to dissolve the Company;

(b) a Change of Control Transaction that is not approved by the Majority Members;

(c) a dissolution of the Company under Section 18-801 of the Act; or

(d) the entry of a decree of judicial dissolution of the Company under Section 18-802 of the Act. Except as otherwise set forth in this Article XIV, the Company is intended to have perpetual existence. An Event of Withdrawal shall not cause a dissolution of the Company and the Company shall continue in existence subject to the terms and conditions of this Agreement.

Section 1.02 Liquidation and Termination. On dissolution of the Company, the Manager shall act as liquidator or may appoint one or more Persons as liquidator. The liquidators shall proceed diligently to wind up the affairs of the Company and make final distributions as provided herein and in the Act. The costs of liquidation shall be borne as a Company expense. Until final distribution, the liquidators shall continue to operate the Company properties with all of the power and authority of the Manager. The steps to be accomplished by the liquidators are as follows:

(a) as promptly as possible after dissolution and again after final liquidation, the liquidators shall cause a proper accounting to be made by a recognized firm of certified public accountants of the Company's assets, liabilities and operations through the last day of the calendar month in which the dissolution occurs or the final liquidation is completed, as applicable;

(b) the liquidators shall cause the notice described in the Act to be mailed to each known creditor of and claimant against the Company in the manner described thereunder;

(c) the liquidators shall pay, satisfy or discharge from Company funds, or otherwise make adequate provision for payment and discharge thereof (including the establishment of a cash fund for contingent liabilities in such amount and for such term as the liquidators may reasonably determine): first, all expenses incurred in liquidation; and second, all of the debts, liabilities and obligations of the Company; and

(d) all remaining assets of the Company shall be distributed to the Members in accordance with Article IV by the end of the Taxable Year during which the liquidation of the Company occurs (or, if later, by ninety (90) days after the date of the liquidation). The distribution of cash and/or property to the Members in accordance with the provisions of this Section 14.02 and Section 14.03 below constitutes a complete return to the Members of their Capital Contributions, a complete distribution to the Members of their interest in the Company and all the Company's property and constitutes a compromise to which all Members have consented within the meaning of the Act. To the extent that a Member returns funds to the Company, it has no claim against any other Member for those funds.

Section 1.03 Deferment; Distribution in Kind. Notwithstanding the provisions of Section 14.02, but subject to the order of priorities set forth therein, if upon dissolution of the Company the liquidators determine that an immediate sale of part or all of the Company's assets would be impractical or would cause undue loss (or would otherwise not be beneficial) to the Members, the liquidators may, in their sole discretion, defer for a reasonable time the liquidation of any assets except those necessary to satisfy Company liabilities (other than loans to the Company by Members) and reserves. Subject to the order of priorities set forth in Section 14.02, the liquidators may, in their sole discretion, distribute to the Members, in lieu of cash, either (a) all or any portion of such remaining Company assets in-kind in accordance with the provisions of Section 14.02(d), (b) as tenants in common and in accordance with the provisions of Section 14.02(d), undivided interests in all or any portion of such Company assets or (c) a combination of the foregoing. Any such Distributions in kind shall be subject to (y) such conditions relating to the disposition and management of such assets as the liquidators deem reasonable and equitable and (z) the terms and conditions of any agreements governing such assets (or the operation thereof or the holders thereof) at such time. Any Company assets distributed in kind will first be written up or down to their Fair Market Value, thus creating Profit or Loss (if any), which shall be allocated in accordance with Article V. The liquidators shall determine the Fair Market Value of any property distributed in accordance with the valuation procedures set forth in Article XV.

Section 1.04 Cancellation of Certificate. On completion of the distribution of Company assets as provided herein, the Company is terminated (and the Company shall not be terminated prior to such time), and the Manager (or such other Person or Persons as the Act may require or permit) shall file a certificate of cancellation with the Secretary of State of Delaware, cancel any other filings made pursuant to this Agreement that are or should be canceled and take such other actions as may be necessary to terminate the Company. The Company shall be deemed to continue in existence for all purposes of this Agreement until it is terminated pursuant to this Section 14.04.

Section 1.05 Reasonable Time for Winding Up. A reasonable time shall be allowed for the orderly winding up of the business and affairs of the Company and the liquidation of its assets pursuant to Sections 14.02 and 14.03 in order to minimize any losses otherwise attendant upon such winding up.

Section 1.06 Return of Capital. The liquidators shall not be personally liable for the return of Capital Contributions or any portion thereof to the Members (it being understood that any such return shall be made solely from Company assets).

ARTICLE XV
VALUATION

Section 1.01 Determination. "***Fair Market Value***" of a specific Company asset will mean the amount which the Company would receive in an all-cash sale of such asset in an arms-length transaction with a willing unaffiliated third party, with neither party having any compulsion to buy or sell, consummated on the day immediately preceding the date on which the event occurred which necessitated the determination of the Fair Market Value (and after giving effect to any transfer taxes payable in connection with such sale), as such amount is determined by the Manager (or, if pursuant to Section 14.02, the liquidators) in its good faith judgment using all factors, information and data it deems to be pertinent.

Section 1.02 Dispute Resolution. If any Member or Members dispute the accuracy of any determination of Fair Market Value in accordance with Section 15.01, and the Manager and such Member(s) are unable to agree on the determination of the Fair Market Value of any asset of the Company, the Manager and such Member(s) shall each select a nationally recognized investment banking firm experienced in valuing securities of closely-held companies such as the Company in the Company's industry (the "***Appraisers***"), who shall each determine the Fair Market Value of the asset or the Company (as applicable) in accordance with the provisions of Section 15.01. The Appraisers shall be instructed to give written notice of their determination of the Fair Market Value of the asset or the Company (as applicable) within thirty (30) days of their appointment as Appraisers. If Fair Market Value as determined by an Appraiser is higher than Fair Market Value as determined by the other Appraiser by 10% or more, and the Manager and such Member(s) do not otherwise agree on a Fair Market Value, the original Appraisers shall designate a third Appraiser meeting the same criteria used to select the original two. If Fair Market Value as determined by an Appraiser is within 10% of the Fair Market Value as determined by the other Appraiser (but not identical), and the Manager and such Member(s) do not otherwise agree on a Fair Market Value, the Manager shall select the Fair Market Value of one of the Appraisers. The fees and expenses of the Appraisers shall be borne by the Company.

ARTICLE XVI
GENERAL PROVISIONS

Section 1.01 Power of Attorney.

(a) Each Member who is an individual hereby constitutes and appoints the Manager (or the liquidator, if applicable) with full power of substitution, as his or her true and lawful agent and attorney-in-fact, with full power and authority in his, her or its name, place and stead, to:

(i) execute, swear to, acknowledge, deliver, file and record in the appropriate public offices (A) this Agreement, all certificates and other instruments and all amendments thereof which the Manager deems appropriate or necessary to form, qualify, or continue the qualification of, the Company as a limited liability company in the State of Delaware and in all other jurisdictions in which the Company may conduct business or own property; (B) all instruments which the Manager deems appropriate or necessary to reflect any amendment, change, modification or restatement of this Agreement in accordance with its terms; (C) all conveyances and other instruments or documents which the Manager deems appropriate or necessary to reflect the dissolution and liquidation of the Company pursuant to the terms of this Agreement, including a certificate of cancellation; and (D) all instruments relating to the admission, withdrawal or substitution of any Member pursuant to Article XII or XIII; and (ii) sign, execute, swear to and acknowledge all ballots, consents, approvals, waivers, certificates and other instruments appropriate or necessary, in the reasonable judgment of the Manager, to evidence, confirm or ratify any vote, consent, approval, agreement or other action which is made or given by the Members hereunder or is consistent with the terms of this Agreement, in the reasonable judgment of the Manager, necessary or appropriate to effectuate the terms of this Agreement.

(b) The foregoing power of attorney is irrevocable and coupled with an interest, and shall survive the death, disability, incapacity, dissolution, bankruptcy, insolvency or termination of any Member who is an individual and the transfer of all or any portion of his, her or its Company Interest and shall extend to such Member's heirs, successors, assigns and personal representatives.

Section 1.02 Confidentiality.

(a) The Manager and each of the Members agree to hold the Company's Confidential Information in confidence and may not use such information except (i) in furtherance of the business of the Company, (ii) as reasonably necessary for compliance with applicable law, including compliance with disclosure requirements under the Securities Act and the Exchange Act, and securities laws of other jurisdictions, or (iii) as otherwise authorized separately in writing by the Manager. "***Confidential Information***" as used herein includes, but is not limited to, ideas, financial product structuring, business strategies, innovations and materials, all aspects of the Company's business plan, proposed operation and products, corporate structure, financial and organizational information, analyses, proposed partners, software code and system and product designs, employees and their identities, equity ownership, the methods and means by which the Company plans to conduct its business, all trade secrets, trademarks, tradenames and all intellectual property associated with the Company's business. With respect to the Manager and each Member, Confidential Information does not include information or material that: (a) is rightfully in the possession of the Manager or each Member at the time of disclosure by the Company; (b) before or after it has been disclosed to the Manager or each Member by the Company, becomes part of public knowledge, not as a result of any action or inaction of the Manager or such Member, respectively, in violation of this Agreement; (c) is approved for release by written authorization of the Chief Executive Officer of the Company or of the Corporation; (d) is disclosed to the Manager or such Member or their representatives by a third party not, to the knowledge of the Manager or such Member, respectively, in violation of any obligation of confidentiality owed to the Company with respect to such information; or (e) is or becomes independently developed by the Manager or such Member or their respective representatives without use or reference to the Confidential Information.

(b) Notwithstanding Section 16.02(a), each of the Members may disclose Confidential Information to its Affiliates, partners, directors, officers, employees, counsel, advisers, consultants, outside contractors and other agents, on the condition that such Persons keep the Confidential Information confidential to the same extent as such disclosing party is required to keep the Confidential Information confidential, solely to the extent it is reasonably necessary or appropriate to fulfill its obligations or to exercise its rights under this Agreement; *provided*, that the disclosing party shall remain liable with respect to any breach of this Section 16.02 by any such Affiliates, partners, directors, officers, employees, counsel, advisers, consultants, outside contractors and other agents.

(c) Notwithstanding Section 16.02(a) or Section 16.02(b), each of the Members may disclose Confidential Information (i) to the extent that such party is legally compelled (by oral questions, interrogatories, request for information or documents, subpoena, civil investigative demand or similar process) to disclose any of the Confidential Information, (ii) for purposes of reporting to its stockholders and direct and indirect equity holders the performance of the Company and its Subsidiaries and for purposes of including applicable information in its financial statements to the extent required by applicable Law or applicable accounting standards; (iii) to any bona fide prospective purchaser of the equity or assets of a Member, or the Common Units held by such Member, or a prospective merger partner of such Member (*provided*, that (i) such Persons will be informed by such Member of the confidential nature of such information and shall agree in writing to keep such information confidential in accordance with the contents of this Agreement and (ii) each Member will be liable for any breaches of this Section 16.02 by any such Persons), or (iv) to the extent required to be disclosed by applicable Law. Notwithstanding any of the foregoing, nothing in this Section 16.02 will restrict in any manner the ability of the Corporation to comply with its disclosure obligations under Law, and the extent to which any Confidential Information is necessary or desirable to disclose.

Section 1.03 Amendments. This Agreement may be amended or modified upon the consent of the Manager and the Members holding a majority of the Common Units entitled to vote then outstanding (excluding for such purposes all Common Units held directly or indirectly by the Corporation). Notwithstanding the foregoing, no amendment or modification (x) to this Section 16.03 may be made without the prior written consent of the Manager and each of the Members, (y) to any of the terms and conditions of this Agreement which terms and conditions expressly require the approval or action of certain Persons may be made without obtaining the consent of the requisite number or specified percentage of such Persons who are entitled to approve or take action on such matter, and (z) to any of the terms and conditions of Article VI or Section 14.01 (and related definitions as used directly or indirectly therein) may be made without the prior written consent of the Manager, which consent may be given or withheld in the Manager's sole discretion.

Section 1.04 Title to Company Assets. Company assets shall be deemed to be owned by the Company as an entity, and no Member, individually or collectively, shall have any ownership interest in such Company assets or any portion thereof. The Company shall hold title to all of its property in the name of the Company and not in the name of any Member. All Company assets shall be recorded as the property of the Company on its books and records, irrespective of the name in which legal title to such Company assets is held. The Company's credit and assets shall be used solely for the benefit of the Company, and no asset of the Company shall be transferred or encumbered for, or in payment of, any individual obligation of any Member.

Section 1.05 Addresses and Notices. Any notice provided for in this Agreement will be in writing and will be either personally delivered, or received by certified mail, return receipt requested, or sent by reputable overnight courier service (charges prepaid) to the Company at the address set forth below and to any other recipient and to any Member at such address as indicated by the Company's records, or at such address or to the attention of such other person as the recipient party has specified by prior written notice to the sending party. Notices will be deemed to have been given hereunder when delivered personally, three (3) days after deposit in the U.S. mail and one (1) day after deposit with a reputable overnight courier service or transmission via e-mail (provided confirmation of transmission is received). The Company's address is:

to the Company:

Greenlane Holdings, LLC
1095 Broken Sound Parkway
Suite 300
Boca Raton, Florida 33487
Attn: William Mote, Chief Financial Officer
E-mail: bmote@greenlane.com

with a copy (which copy shall not constitute notice) to:

Morrison and Foerster LLP
2100 L Street, NW Suite 900
Washington, DC 20037, USA
Attn: Justin R. Salon, Esq.
E-mail: JustinSalon@mofo.com

Section 1.06 Binding Effect; Intended Beneficiaries. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their heirs, executors, administrators, successors, legal representatives and permitted assigns.

Section 1.07 Creditors. None of the provisions of this Agreement shall be for the benefit of or enforceable by any creditors of the Company or any of its Affiliates, and no creditor who makes a loan to the Company or any of its Affiliates may have or acquire (except pursuant to the terms of a separate agreement executed by the Company in favor of such creditor) at any time as a result of making the loan any direct or indirect interest in Company Profits, Losses, Distributions, capital or property other than as a secured creditor.

Section 1.08 Waiver. No failure by any party to insist upon the strict performance of any covenant, duty, agreement or condition of this Agreement or to exercise any right or remedy consequent upon a breach thereof shall constitute a waiver of any such breach or any other covenant, duty, agreement or condition.

Section 1.09 Counterparts. This Agreement may be executed in separate counterparts, each of which will be an original and all of which together shall constitute one and the same agreement binding on all the parties hereto.

Section 1.10 Applicable Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Delaware, without giving effect to any choice of law or conflict of law rules or provisions (whether of the State of Delaware or any other jurisdiction) that would cause the application of the laws of any jurisdiction other than the State of Delaware. Any dispute relating hereto shall be heard in the state or federal courts of the State of Delaware, and the parties agree to jurisdiction and venue therein.

Section 1.11 Severability. Whenever possible, each provision of this Agreement will be interpreted in such manner as to be effective and valid under applicable Law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable Law or rule in any jurisdiction, such invalidity, illegality or unenforceability will not affect any other provision or the effectiveness or validity of any provision in any other jurisdiction, and this Agreement will be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein.

Section 1.12 Further Action. The parties shall execute and deliver all documents, provide all information and take or refrain from taking such actions as may be reasonably necessary or appropriate to achieve the purposes of this Agreement.

Section 1.13 Delivery by Electronic Transmission. This Agreement and any signed agreement or instrument entered into in connection with this Agreement or contemplated hereby, and any amendments hereto or thereto, to the extent signed and delivered by means of an electronic transmission, including by a facsimile machine or via email, shall be treated in all manner and respects as an original agreement or instrument and shall be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. At the request of any party hereto or to any such agreement or instrument, each other party hereto or thereto shall re-execute original forms thereof and deliver them to all other parties. No party hereto or to any such agreement or instrument shall raise the use of electronic transmission by a facsimile machine or via email to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through such electronic transmission as a defense to the formation of a contract and each such party forever waives any such defense.

Section 1.14 Right of Offset. Whenever the Company is to pay any sum (other than pursuant to Article IV) to any Member, any amounts that such Member owes to the Company which are not the subject of a good faith dispute may be deducted from that sum before payment. For the avoidance of doubt, the distribution of Units to the Corporation shall not be subject to this Section 16.14.

Section 1.15 Entire Agreement. This Agreement, those documents expressly referred to herein (including the Registration Rights Agreement and the Tax Receivable Agreement), any indemnity agreements entered into in connection with the Prior Operating Agreement with any member of the board of managers at that time and other documents of even date herewith embody the complete agreement and understanding among the parties and supersede and preempt any prior understandings, agreements or representations by or among the parties, written or oral, which may have related to the subject matter hereof in any way. For the avoidance of doubt, the Prior Operating Agreement is superseded by this Agreement and shall be of no further force and effect.

Section 1.16 Remedies. Each Member shall have all rights and remedies set forth in this Agreement and all rights and remedies which such Person has been granted at any time under any other agreement or contract and all of the rights which such Person has under any Law. Any Person having any rights under any provision of this Agreement or any other agreements contemplated hereby shall be entitled to enforce such rights specifically (without posting a bond or other security), to recover damages by reason of any breach of any provision of this Agreement and to exercise all other rights granted by Law.

Section 1.17 Descriptive Headings; Interpretation. The descriptive headings of this Agreement are inserted for convenience only and do not constitute a substantive part of this Agreement. Whenever required by the context, any pronoun used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns, pronouns and verbs shall include the plural and vice versa. The use of the word "including" in this Agreement shall be by way of example rather than by limitation and shall mean, "including, without limitation". Reference to any agreement, document or instrument means such agreement, document or instrument as amended or otherwise modified from time to time in accordance with the terms thereof, and if applicable hereof. Without limiting the generality of the immediately preceding sentence, no amendment or other modification to any agreement, document or instrument that requires the consent of any Person pursuant to the terms of this Agreement or any other agreement will be given effect hereunder unless such Person has consented in writing to such amendment or modification. Wherever required by the context, references to a Fiscal Year shall refer to a portion thereof. The use of the words “or,” “either” and “any” shall not be exclusive. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. In the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as if drafted jointly by the parties hereto, and no presumption or burden of proof shall arise favoring or disfavoring any party by virtue of the authorship of any of the provisions of this Agreement. Wherever a conflict exists between this Agreement and any other agreement, this Agreement shall control but solely to the extent of such conflict.

[*Remainder of page intentionally left blank*]

The undersigned hereby agree(s) to be bound by all of the terms and provisions of the Fourth Amended and Restated Operating Agreement of Greenlane Holdings, LLC as of the date first set forth above.

GREENLANE HOLDINGS. INC., Manager

By: /s/ Nicholas Kovacevich______________
Name: Nicholas Kovacevich
Title: Chief Executive Officer

GREENLANE HOLDINGS, LLC
By: Greenlane Holdings. Inc., its Manager

By: /s/ Nicholas Kovacevich______________
Name: Nicholas Kovacevich
Title: Chief Executive Officer

MEMBERS

JACOBY& CO. INC.

By: /s/ Aaron LoCascio________________
Name: Aaron LoCascio
Title: Co-President

By: /s/ Adam Schoenfeld_______________
Name: Adam Schoenfeld
Title: Co-President

/s/ Adam Schoenfeld___________________
Adam Schoenfeld

BETTER LIFE PRODUCTS INVESTMENT GROUP, INC.
By: /s/ Jeffrey Sherman __________________
Name: Jeffrey Sherman
Title: President

ROCHESTER VAPOR GROUP, LLC

By: /s/ Clive Fleissig
Name: Clive Fleissig
Title: Manager

POLLEN GEAR HOLDINGS LLC

By: /s/ Edward Kilduff
Name: Edward Kilduff
Title: Manager

/s/ Zachary Tapp
Zachary Tapp

/s/ Jay Scheiner
Jay Scheiner

/s/ Sasha Kadey
Sasha Kadey

/s/ Tessa Weaver
Tessa Weaver

/s/ Chad Freling
Chad Freling

/s/ Hisham Boulhimez
Hisham Boulhimez

/s/ Seth Sznapstajler
Seth Sznapstajler

/s/ Joseph Hurwitz
Joseph Hurwitz

/s/ Williams Bradford Dulin
Williams Bradford Dulin

/s/ Matthew Paul
Matthew Paul

/s/ Wade Wilson
Wade Wilson

/s/ Fabian Acuna
Fabian Acuna

/s/ James Leonard
James Leonard

/s/ Ethan Rudin
Ethan Rudin

/s/ Jason Baum
Jason Baum

/s/ Dawn Marie Cavanagh
Dawn Marie Cavanagh

/s/ Douglas Fischer
Douglas Fischer

FORM OF JOINDER AGREEMENT

This JOINDER AGREEMENT, dated as of__, 20__ (this "Joinder"), is delivered pursuant to that certain Fourth Amended and Restated Operating Agreement, dated as of September [•], 2021 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "***Operating Agreement***") by and among Greenlane Holdings, LLC, a Delaware limited liability company (the "***Company***"), Greenlane Holdings, Inc., a Delaware corporation and the manager of the Company (the "***Corporation***"), and each of the Members from time to time party thereto. Capitalized terms used but not otherwise defined hereon have the respective meanings set forth in the Operating Agreement.

1. Joinder to the Operating Agreement. Upon the execution of this Joinder by the undersigned and delivery hereof to the Corporation, the undersigned hereby is and hereafter will be a Member under the Operating Agreement and a party thereto, with all the rights, privileges and responsibilities of a Member thereunder. The undersigned hereby agrees that it shall comply with and be fully bound by the terms of the Operating Agreement as if it had been a signatory thereto as of the date thereof.

2. Incorporation by Reference. All terms and conditions of the Operating Agreement are hereby incorporated by reference in this Joinder as if set forth hereon in full.

3. Address. All notices under the Operating Agreement to the undersigned shall be directed to:

[Name]
[Address]
[City, State, Zip Code]
Attn:
Facsimile:
E-mail:

IN WITNESS WHEREOF, the undersigned has duly executed and delivered this Joinder as of the day and year first above written.

[NAME OF NEW MEMBER]

By:
Name:
Title:

Acknowledged and agreed
as of the date first set forth above:

GREENLANE HOLDINGS, LLC

By: GREENLANE HOLDINGS, INC., its Manager

By:
Name: [•]
Title: [•]

Corporation Stock Incentive Plan Implementation Guidelines

GREENLANE HOLDINGS, INC.

2019 EQUITY INCENTIVE PLAN

Policy Regarding Certain Equity Issuances

All capitalized terms used heroon without definition shall have the meanings ascribed to such terms in the Greenlane Holdings, Inc. 2019 Equity Incentive Plan (the "***Plan***").

Pursuant to Sections 3(a) and 10(q) of the Plan, this Policy Regarding Certain Equity Issuances (this "***Policy***"), effective as of April 17, 2019, is established to provide for the method by which shares of Common Stock or other securities and/or payment therefor may be exchanged or contributed between Greenlane Holdings, Inc. (the "***Company***") and Greenlane Holdings, LLC (the "***Operating Company***"), or any Subsidiary, or may be returned to the Company upon any forfooture of shares of Common Stock or other securities by the Participant, for the purpose of ensuring that the relationship between the Company and its Subsidiaries remains at arm's-length.

This Policy may be modified, supplemented or terminated at any time and from time to time in the Company's discretion. In the event of any conflict between the Fourth Amended and Restated Operating Agreement of Greenlane Holdings, LLC, dated as of September [__], 2021 (the "***Operating Agreement***") or the Plan and this Policy, the Operating Agreement or Plan, as applicable, will control. In the event of any conflict between the Operating Agreement and the Plan, unless explicitly stated otherwise, the Operating Agreement will control.

1. Restricted Stock Awards

a. Transfers of Restricted Stock to Company Employees, Company Consultants or Company Directors. The following shall apply to Restricted Stock granted under the Plan to Employees and Consultants of the Company and Directors (collectively, "***Company Service Providers***") in consideration for services performed by such Company Service Providers:

i. Issuance of Restricted Stock.

A. The Company shall issue such number of shares of Common Stock as are to be issued to the Company Service Provider in accordance with the terms of the Plan.

B. Concurrently with or prior to such issuance, a Company Service Provider shall pay the purchase price (if any) of the Restricted Stock to the Company in exchange for the issuance of the Restricted Stock.

C. Prior to the Vesting Date (as defined below), the Company shall pay dividends to the holder of the Restricted Stock and make any other payments to the Company Service Provider as the terms of the Restricted Stock award provide for. The Company and the Operating Company shall treat such payments as having been made by the Company, and the Company shall report such payments as compensation to the Company Service Provider for all purposes. Prior to the Vesting Date, the Operating Company shall pay to the Company the amount of any such payments the Company is required to pay to the Company Service Provider, as a reimbursement of Company expenses pursuant to Section 6.06 of the Operating Agreement.

ii. Vesting of Restricted Stock. On the date when the value of any share of Restricted Stock is includible in taxable income (with respect to each such share, the "***Vesting Date***") of the Company Service Provider, the following events shall occur or be deemed to have occurred:

A. If required by Section 6.06 of the Operating Agreement, the Operating Company shall be deemed to reimburse the Company for the compensation expense equal to the amount includible in taxable income of the Company Service Provider.

B. The Operating Company shall issue to the Company on the Vesting Date a number of Common Units (as defined in the Operating Agreement) equal to the number of such shares of Restricted Stock that are includible in the taxable income of the Company Service Provider as of the applicable Vesting Date in consideration for a deemed Capital Contribution (as defined in the Operating Agreement) from the Company in an amount equal to the number of Common Units issued in accordance with this section, multiplied by the Fair Market Value (as defined in the Operating Agreement).

b. Transfers of Restricted Stock to Employees and Consultants of the Operating Company. The following shall apply to Restricted Stock granted under the Plan to Employees and Consultants of the Operating Company in consideration for services performed by such Employees and Consultants for the Operating Company or its Subsidiaries:

i. Issuance of Restricted Stock.

A. The Company shall issue such number of shares of Common Stock as are to be issued to the Employee or Consultant of the Operating Company in accordance with the terms of the Plan.

B. Concurrently with or prior to such issuance, an Employee or Consultant of the Operating Company shall pay the purchase price (if any) of the Restricted Stock to the Company in exchange for the issuance of the Restricted Stock.

C. The Company shall transfer any such purchase price to the Operating Company. For tax purposes, any such purchase price shall be treated as paid by the Employee or Consultant of the Operating Company to the Operating Company as the employer of the Employee or the recipient of the Consultant's services (*i.e.,* not a capital contribution).

D. Prior to the Vesting Date, the Company shall pay dividends to the holder of the Restricted Stock and make any other payments to the Employee or Consultant of the Operating Company as provided by the terms of the Restricted Stock award, provided that the Operating Company shall reimburse the Company for such amounts and deduct such amounts as compensation. In order to effectuate the foregoing, in addition to the Operating Company's distributions to the Company with respect to the Common Units held by the Company, the Operating Company shall make an additional payment to the Company in the amount of this reimbursement, which shall not be treated as a partnership distribution. The Company and the Operating Company shall treat such payments as having been made by the Operating Company (and not by the Company) to such Employee or Consultant, and the Operating Company shall report such payments as compensation to the Employee or Consultant of the Operating Company for all purposes.

ii. Vesting of Restricted Stock. On the Vesting Date of any shares of Restricted Stock of the Employee or Consultant of the Operating Company, the following events shall occur or be deemed to have occurred:

A. The Company shall be deemed to sell to the Operating Company (or, if the Employee or Consultant of the Operating Company is an employee or other service provider of a Subsidiary of the Operating Company, to such Subsidiary of the Operating Company), and the Operating Company (or such Subsidiary of the Operating Company) shall be deemed to purchase from the Company, such shares of Restricted Stock that are includible in the taxable income of the Employee or Consultant of the Operating Company on such Vesting Date (the "***Operating Company Purchased Restricted Stock***"). The deemed price paid by the Operating Company (or a Subsidiary of the Operating Company) to the Company for Operating Company Purchased Restricted Stock shall be an amount equal to the product of (x) the number of shares of Operating Company Purchased Restricted Stock and (y) the Fair Market Value of a share of Common Stock on the Vesting Date.

B. The Operating Company (or any Subsidiary of the Operating Company) shall be deemed to transfer Operating Company Purchased Restricted Stock to the Participant at no additional cost, as additional compensation.

C. The Operating Company shall issue to the Company on the Vesting Date a number of Common Units equal to the number of shares of Operating Company Purchased Restricted Stock in consideration for a deemed Capital Contribution from the Company in an amount equal to the number of Common Units issued in accordance with this section, multiplied by the Fair Market Value. In the case where an Employee or Consultant of the Operating Company is an employee or service provider to a Subsidiary of the Operating Company, then the Operating Company shall be deemed to have contributed such amount to the capital of such Subsidiary of the Operating Company.

2. Restricted Stock Unit and Other Stock or Cash Based Awards. The following shall apply to all Restricted Stock Units and Other Stock or Cash Based Awards (other than cash awards) granted under the Plan and settled in shares of Common Stock:

a. Transfers of Common Stock to Company Service Providers. The Company shall issue such number of shares of Common Stock as are to be issued to the Company Service Provider in accordance with the terms of the Plan and any Restricted Stock Unit or applicable Other Stock or Cash Based Award to a Company Service Provider in accordance with Section 6 or 7 of the Plan and, as soon as reasonably practicable after such Award is settled, with respect to each such settlement:

i. If required by Section 6.06 of the Operating Agreement, the Operating Company shall be deemed to reimburse the Company for the compensation expense equal to the amount includible in taxable income of the Company Service Provider with respect to such Award.

ii. The Operating Company shall issue to the Company on the date of settlement a number of Common Units equal to the number of shares of Common Stock issued in settlement of the Restricted Stock Unit or applicable Other Stock or Cash Based Award in consideration for a deemed Capital Contribution from the Company in an amount equal to the number of Common Units issued in accordance with this section, multiplied by the Fair Market Value.

b. Transfer of Common Stock to an Employee or Consultant of the Operating Company. The Company shall issue such number of shares of Common Stock as are to be issued to an Employee or Consultant of the Operating Company in accordance with the terms of the Plan and any Restricted Stock Unit or applicable Other Stock or Cash Based Award to an Employee or Consultant of the Operating Company in accordance with Section 6 or 7 of the Plan and, as soon as reasonably practicable after such Award is settled, with respect to each such settlement:

i. The Company shall be deemed to sell to the Operating Company (or, if the Employee or Consultant of the Operating Company is an employee or other service provider of a Subsidiary of the Operating Company, to such Subsidiary of the Operating Company), and the Operating Company (or such Subsidiary of the Operating Company) shall be deemed to purchase from the Company, the number of shares of Common Stock (the "***Operating Company Purchased RSU/Other Award Shares***") equal to the number issued in settlement of the Restricted Stock Units or Other Cash or Stock Based Awards. The deemed price paid by the Operating Company (or Subsidiary of the Operating Company) to the Company for Operating Company Purchased RSU/Other Award Shares shall be an amount equal to the product of (x) the number of Operating Company Purchased RSU/Other Award Shares and (y) the Fair Market Value of a share of Common Stock at the time of settlement.

ii. The Operating Company (or Subsidiary of the Operating Company) shall be deemed to transfer such shares of Common Stock to the Participant at no additional cost, as additional compensation.

iii. The Operating Company shall issue to the Company on the date of settlement a number of Common Units equal to the number of Operating Company Purchased RSU/

Other Award Shares in consideration for a deemed Capital Contribution from the Company in an amount equal to the number of Common Units issued in accordance with this section, multiplied by the Fair Market Value. In the case where an Employee or Consultant of the Operating Company is an employee or service provider to a Subsidiary of the Operating Company, the Operating Company shall be deemed to have contributed such amount to the capital of such Subsidiary of the Operating Company.

c. Other Full-Value Awards. To the extent the Company grants full-value Awards (other than Restricted Stock, Restricted Stock Units and Other Stock and Cash Based Awards), the provisions of this Section 2 shall apply *mutatis mutandis* with respect to such full-value Awards, to the extent applicable (as determined by the Administrator).

3. Stock Options. The following shall apply to Options granted under the Plan:

a. Transfer of Common Stock to a Company Service Provider. As soon as reasonably practicable after receipt by the Company, pursuant to Section 5(e) of the Plan, of payment for the shares of Common Stock with respect to which an Option (which in the case of a Company Service Provider was issued to and is held by such Participant in such capacity), or portion thereof, is exercised by a Participant who is a Company Service Provider:

i. The Company shall transfer to the holder of such Option the number of shares of Common Stock equal to the number of shares of Common Stock subject to the Option (or portion thereof) that is exercised.

ii. The Company, shall, as soon as practicable after such exercise, make a Capital Contribution to the Operating Company in an amount equal to the exercise price paid to the Company by such Participant in connection with the exercise of the Option. If required by Section 6.06 of the Operating Agreement, the Operating Company shall be deemed to reimburse the Company for the compensation expense equal to the Fair Market Value of a share of Common Stock as of the date of exercise multiplied by the number of shares of Common Stock then being issued in connection with the exercise of such Option less the exercise price paid to the Company by such Participant in connection with the exercise of the Option. Notwithstanding the amount of the Capital Contribution actually made pursuant to this Section 3(a)(ii), the Company shall be deemed to have contributed to the Operating Company as a Capital Contribution, in lieu of the Capital Contribution actually made, an amount equal to the Fair Market Value of a share of Common Stock as of the date of exercise multiplied by the number of shares of Common Stock then being issued in connection with the exercise of such Option.

iii. The Operating Company shall issue to the Company, on the date of the deemed Capital Contribution described inSection 3(a)(ii) hereof, a number of Common Units equal to the number of newly issued shares of Common Stock pursuant to Section 3(a)(i) hereof, in consideration for the deemed Capital Contribution described in Section 3(a)(ii) hereof.

b. Transfer of Common Stock to an Employee or Consultant of the Operating Company. As soon as reasonably practicable after receipt by the Company, pursuant to Section 5(e) of the Plan, of payment for the shares of Common Stock with respect to which an Option (which was issued to and is held by an Employee or Consultant of the Operating Company in such capacity), or portion thereof, is exercised by a Participant who is an Employee or Consultant of the Operating Company:

i. The Company shall transfer to the Participant, on behalf of the Operating Company, the number of shares of Common Stock equal to (A) the amount of the exercise price paid by the Participant to the Company pursuant to Section 5(e) of the Plan divided by (B) the Fair Market Value of a share of Common Stock at the time of exercise (the "***Operating Company Holder Purchased Shares***").

ii. The Company shall be deemed to sell to the Operating Company (or, if the Employee or Consultant is an employee or other service provider of a Subsidiary of the Operating Company, to such Subsidiary of the Operating Company), and the Operating Company (or such Subsidiary of the Operating Company) shall be deemed to purchase from the Company, the number of shares of Common Stock (the "***Operating Company***

Purchased Option Shares") equal to the excess of (A) the number of shares subject to the Option (or portion thereof) that is exercised, over (B) the number of Operating Company Holder Purchased Shares. The deemed price paid by the Operating Company (or a Subsidiary of the Operating Company) to the Company for Operating Company Purchased Option Shares shall be an amount equal to the product of (x) the number of Operating Company Purchased Option Shares and (y) the Fair Market Value of a share of Common Stock at the time of the exercise.

iii. The Operating Company (or a Subsidiary of the Operating Company) shall be deemed to transfer Operating Company Purchased Option Shares to the Participant at no additional cost, as additional compensation.

iv. The Operating Company shall issue to the Company on the date of exercise a number of Common Units equal to the sum of the number of Operating Company Holder Purchased Shares and the number of Operating Company Purchased Option Shares in consideration for a deemed Capital Contribution from the Company in an amount equal to the number of Common Units issued in accordance with this section, multiplied by the Fair Market Value. In the case where an Employee or Consultant of the Operating Company is an employee or service provider to a Subsidiary of the Operating Company, the Operating Company shall be deemed to have contributed such amount to the capital of such Subsidiary of the Operating Company.

c. Stock Appreciation Rights. To the extent the Company grants any Stock Appreciation Rights, the provisions of this Section 3 shall apply *mutatis mutandis* with respect to such Stock Appreciation Rights, to the extent applicable (as determined by the Administrator).

4. Dividend Equivalent Awards. The following shall apply to Dividend Equivalents granted under the Plan to Employees and Consultants of the Operating Company:

a. The Company shall make any payments to an Employee or Consultant of the Operating Company under the terms of the Dividend Equivalent award, provided that the Operating Company shall reimburse the Company for such amounts and deduct such amounts as compensation. In order to effectuate the foregoing, in addition to the Operating Company's distributions to the Company with respect to Common Units held by the Company, the Operating Company shall make an additional payment to the Company in the amount of this reimbursement, which shall not be treated as a partnership distribution. The Company and the Operating Company shall treat such payments as having been made by the Operating Company (and not by the Company to such Employee or Consultant of the Operating Company), and the Operating Company shall report such payments as compensation to such Employee or Consultant of the Operating Company for all purposes.

5. Forfeiture, Surrender or Repurchase of Common Stock. If any shares of Common Stock granted under the Plan are (a) forfeited or surrendered by any Service Provider eligible to participate in the Plan (an "***Eligible Service Provider***") or (b) repurchased from any Eligible Service Provider by the Company, the Operating Company or a Subsidiary, (i) the shares of Common Stock forfeited, surrendered or repurchased shall be returned to the Company, (ii) the Company (or, if the Eligible Service Provider is an Employee or Consultant of the Operating Company, the Operating Company or a Subsidiary of the Operating Company, as applicable) shall pay the repurchase price (if any) of the repurchased shares of Common Stock to such Eligible Service Provider, and (iii) the Operating Company shall, contemporaneously with such forfeiture, surrender or repurchase of shares of Common Stock, redeem or repurchase a number of the Common Units held by the Company equal to the number of forfeited, surrendered or repurchased shares of Common Stock, such redemption or repurchase to be upon the same terms and for the same price per Common Unit as such shares of Common Stock are forfeited, surrendered or repurchased.

FORM OF AGREEMENT AND CONSENT OF SPOUSE

The undersigned spouse of ______________(the "***Member***"), a party to that certain Fourth Amended and Restated Operating Agreement, dated as of September [___], 2021 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "***Agreement***") by and among Greenlane Holdings LLC, a Delaware limited liability company (the "***Company***") and each of the Members from time to time party thereto (capitalized terms used but not otherwise defined hereon have the respective meanings set forth in the Agreement), acknowledges on the undersigned's own behalf that:

I have read the Agreement and understand its contents. I acknowledge and understand that under the Agreement, any interest I may have, community property or otherwise, in the Units owned by the Member is subject to the terms of the Agreement, which include certain restrictions on transfer.

I hereby consent to and approve the Agreement. I agree that said Units and any interest I may have, community property or otherwise, in such Units are subject to the provisions of the Agreement and that I will take no action at any time to hinder operation of the Agreement on said Units or any interest I may have, community property or otherwise, in said Units.

I hereby acknowledge that the meaning and legal consequences of the Agreement have been explained fully to me and are understood by me, and that I am signing this agreement and consent without any duress and of free will.

Dated:

[NAME OF SPOUSE]

By: __
Name:

FORM OF SPOUSE'S CONFIRMATION OF SEPARATE PROPERTY

The undersigned spouse of _________ (the "***Member***"), a party to that certain Fourth Amended and Restated Operating Agreement, dated as of September [___], 2021 (as amended, restated, amended and restated, supplemented or otherwise modified from time to time, the "***Agreement***") by and among Greenlane Holdings LLC, a Delaware limited liability company (the "***Company***") and each of the Members from time to time party thereto (capitalized terms used but not otherwise defined hereon have the respective meanings set forth in the Agreement), acknowledges and confirms on his or her own behalf that the Units owned by said Member are the sole and separate property of said Member, and I hereby disclaim any interest in same.

I hereby acknowledge that the meaning and legal consequences of this Member's spouse's confirmation of separate property have been fully explained to me and are understood by me, and that I am signing this Member's spouse's confirmation of separate property without any duress and of free will.

Dated:

[NAME OF SPOUSE]

By: __
Name:

Schedule 1

Member	**Common Units**	**Percentage**
Aggregate Number of Outstanding Units:		100%

Exhibit 21.1

Subsidiaries of Greenlane Holdings, Inc.

Legal Name	Jurisdiction of Incorporation	Percentage Owned
Aerospaced LLC	Florida	100%
ARI Logistics B.V.	Netherlands	100%
Better Life Holdings, LLC	Delaware	100%
Banana G's LLC	Delaware	50%
Conscious B.V.	Netherlands	100%
Global Pacific Holdings LLC	Delaware	100%
Greenlane Holdings, LLC	Delaware	100%
Greenlane Holdings, Inc.	Delaware	100%
Greenlane Holdings EU B.V.	Netherlands	100%
GS Fulfillment LLC	Delaware	100%
HSCM LLC	Delaware	100%
HS Malibu LLC	Delaware	100%
HS Products LLC	Delaware	100%
KCH Distribution Inc	Canada	100%
KIM International, LLC	California	100%
Koleto Innovations LLC	Nevada	100%
Kush Energy, LLC	Colorado	100%
Kush Supply Co. LLC	Nevada	100%
Merger Sub Gotham 2, LLC (successor to KushCo Holdings, Inc.)	Delaware	100%
Pollen Gear LLC	Delaware	100%
Rocketmang LLC	Delaware	100%
Shavita B.V.	Netherlands	100%
South Atlantic Holdings LLC	Delaware	100%
The Hybrid Creative LLC	California	100%
Vape World Distribution LTD	Canada	100%
Vibes Holdings LLC	Delaware	50%

Warehouse Goods LLC	Delaware	100%
Zack Darling Creative Associates, LLC	California	100%
1095 Broken Sound Pkwy LLC	Delaware	100%

Exhibit 23.1

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of Greenlane Holdings, Inc. on Form S-3 (File No. 333-257654) and Forms S-8 (File Nos. 333-259211 and 333-231419) of our report dated March 31, 2022, with respect to our audit of the consolidated financial statements of Greenlane Holdings, Inc. as of December 31, 2021 and for the year ended December 31, 2021, which report is included in this Annual Report on Form 10-K of Greenlane Holdings, Inc. for the year ended December 31, 2021.

/s/ Marcum LLP

Marcum LLP
Costa Mesa, CA
March 31, 2022

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-257654 on Form S-3 and Registration Statement Nos. 333-259211 and 333-231419 on Form S-8 of our report dated March 31, 2021, relating to the financial statements of Greenlane Holdings, Inc. appearing in this Annual Report on Form 10-K for the year ended December 31, 2021.

/s/ Deloitte & Touche LLP

Boca Raton, Florida
March 31, 2022

Exhibit 31.1

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

I, Nicholas Kovacevich, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 31, 2022

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

Exhibit 31.2

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

I, William Mote, certify that:

1. I have reviewed this Annual Report on Form 10-K 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: March 31, 2022

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

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Greenlane Holdings, Inc. (the “Company”) on Form 10-K for the fiscal year ended December 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Nicholas Kovacevich, the Chief Executive Officer of the Company, and I, William Mote, the Chief Financial Officer of the Company, certify, to our knowledge, pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. the Report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Date: March 31, 2022

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

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