
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-Q

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

For the quarterly period ended March 31, 2024

OR

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

For the transition period from to
Commission file number: 000-56422

TILT Holdings Inc.

(Exact name of registrant as specified in its charter)

British Columbia
(State or other jurisdiction of incorporation or organization)

83-2097293
(I.R.S. employer identification no.)

2801 E. Camelback Road #180
Phoenix, Arizona

(Address of principal executive offices)

85016
(Zip code)

(623) 887-4990

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant (1) has filed all reports required 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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
Non-accelerated filer

Accelerated filer
Smaller reporting company
Emerging growth company

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

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

As of April 30, 2024, there were 343,625,630 common shares, without par value, of TILT Holdings Inc. outstanding, excluding limited partnership units of Jimmy Jang, L.P. exchangeable for 43,821,379 common shares.

**TILT HOLDINGS INC.
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USE OF NAMES AND CURRENCY

In this Quarterly Report on Form 10-Q, unless the context otherwise requires, the terms “we,” “us,” “our,” “Company,” or “TILT” refer to TILT Holdings Inc. together with its wholly owned subsidiaries.

Unless otherwise indicated, all references to “\$,” “US\$,” “USD,” or “USDS” in this Quarterly Report on Form 10-Q refer to United States dollars, and all references to “C\$,” “CAD,” or “CAD\$” refer to Canadian dollars.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes “forward-looking information” and “forward-looking statements” within the meaning of applicable Canadian and United States (“U.S.”) securities laws (collectively, “forward-looking statements”). Such statements include, but are not limited to, statements with respect to expectations, projections, or other characterizations of future events or circumstances, and the Company’s objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to the Company’s plans and objectives, or estimates or predictions of actions of customers, suppliers, competitors or regulatory authorities. These statements are subject to certain risks, assumptions and uncertainties that could cause actual results to differ materially from those included in the forward-looking statements. The words “believe,” “plan,” “intend,” “estimate,” “expect”, “likely,” “potential,” “proposed,” “scheduled,” “forecast,” or “anticipate,” and similar expressions, as well as future or conditional verbs such as “will,” “should,” “would,” “may,” “might,” and “could” identify forward-looking statements.

Management of the Company has based the forward-looking statements on its current views with respect to future events and financial performance and has made assumptions and applied certain factors regarding, among other things: future product pricing; costs of inputs; the Company’s ability to successfully market its products to its anticipated clients; the Company’s reliance on its key personnel; certain regulatory requirements; the application of federal and state environmental laws; the impact of increasing competition; the Company’s ability to successfully execute its operating plan for the next 12 months; the Company’s ability to obtain additional financing on favorable terms; the Company’s ability to defer principal and interest payments on certain notes; the Company’s ability to successfully negotiate a mutually agreeable waiver and forbearance agreement with certain noteholders; the receipt of applicable regulatory approvals; and the regulatory environments in which the Company operates. Although the Company believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to have been correct. The Company’s forward-looking statements are expressly qualified in their entirety by this cautionary statement. The purpose of forward-looking statements is to provide the reader with a description of management’s expectations, and such forward-looking statements may not be appropriate for any other purpose.

By its nature, forward-looking information is subject to risks and uncertainties, and there are a variety of risk factors, many of which are beyond the control of the Company, and that may cause actual outcomes to differ materially from those discussed in the forward-looking statements. Such factors include, among others, the status of cannabis as a controlled substance under the U.S. Federal Controlled Substances Act; risks related to the enforcement activities by the U.S. Department of Justice; risks related to the Company’s ability to continue as a going concern; reputational risk to third parties; risks associated with banking, financial transactions and anti-money laundering laws and regulations; risks related to federal and state forfeiture laws; the risk of heightened scrutiny by regulatory authorities; risks related to the potential negative impact of regulatory scrutiny on raising capital; risks related to regulatory or political change; risks due to industry immaturity or limited comparable, competitive or established industry best practices; risks related to the uncertainty surrounding existing protection from U.S. federal prosecution relating to cannabis laws; risks related to uncertainty with respect to geo-political disruptions; risks related to regulatory changes in relation to vaporization devices and subsequent impacts to interstate commerce, registrations and revenue reporting requirements, and potential excise tax applicability; risks relating to tax status; risks associated with the Company’s business model; risks related to the Company’s dependency on skilled labor, equipment, parts, components and key inputs; risks related to the reliance on third party suppliers; risks related to adverse economic conditions, labor shortages, supply chain disruptions, inflationary pressures and increasing interest rates; risks that the Company’s actual financial position and results of operations may differ materially from the expectations of the Company’s management; risks related to the costs and obligations relating to the Company’s investment in infrastructure, growth, regulatory compliance and operations; risks related to the

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Company's dependency on regulatory approvals and licenses to conduct its business; risks related to the potential for changes in laws, regulations and guidelines which could adversely affect the Company's future business; risks related to a failure on the part of the Company to comply with applicable regulations; risks related to the legal, regulatory and scientific status of cannabis; risks related to the Company's ability to find suitable candidates and capital necessary to complete strategic alliances or partnerships; risks related to the Company's ability to successfully identify and execute future acquisitions or dispositions; risks related to indebtedness and the Company's ability to extend, refinance or repay such indebtedness; risks related to the Company's ability to develop its products; risks related to the Company's ability to achieve successful cultivation; risks related to adverse environmental conditions, accidents and labor disputes; risks related to the Company's ability to turn a profit or generate immediate revenues; risks related to limitations on the permissible ownership of licenses; risks related to constraints on marketing the Company's products under varying state laws; risks related to the potential results of future clinical research; risks related to the Company's ability to effectively manage its growth and operations; risks related to the regulation of medical cannabis by the U.S. Food and Drug Administration; risks related to the differing local rules and regulations and the impact this may have on the Company's ability to expand into new markets; risks related to the protection and enforcement of intellectual property rights and allegations that the Company is in violation of intellectual property rights of third parties; risks relating to access to banking; risks relating to disclosure of personal information to government or regulatory entities; risks related to the potential requirement to disclose personal identifying information to government or regulatory entities; risk that the Company may be forced to litigate or defend its intellectual property rights, or to defend against claims by third parties against the Company relating to intellectual property rights; risks related to data privacy laws, rules and regulations; risks relating to fraudulent activity by employees, contractors and consultants; risks regarding the enforceability of contracts; risk of litigation generally; risks relating to increasing competition in the industry; risks relating to the Company's ability to secure adequate or reliable sources of funding; risks relating to product recalls; risks relating to reliance on technology systems that may be subject to cyber-attacks or security breaches; risks that the Company's officers and directors may be engaged in a range of business activities resulting in conflicts of interest; risks that the Company's officers, directors and other parties may exert significant influence on the Company; risks relating to the Company's inability to successfully implement adequate internal controls over financial reporting; risks relating to restrictions on entry to the U.S. for the Company's Canadian individuals; risks relating to the potential that bond requirements and insurance premiums may be economically prohibitive; risks relating to global economic and political instability and conflicts; the risk that the Company's web presence's visibility is not limited by geography; risks relating to volatility in the market price of the Company's securities; risks related to price volatility of publicly traded securities; risks related to dilution of the Company's securities; risks related to the Company's securities being currently quoted on the OTCQB; and other factors beyond our control, as more particularly described under the heading "Risk Factors" in the Form 10-K for the fiscal year ended December 31, 2023 filed by the Company with the U.S. Securities and Exchange Commission (the "SEC") on March 22, 2024 (the "Form 10-K") and on the System for Electronic Document Analysis and Retrieval Plus ("SEDAR+") at www.sedarplus.com.

Readers are cautioned that the foregoing list is not exhaustive of all factors and assumptions which may have been used. Although we have attempted to identify important factors that could cause actual results to differ materially, there may be other factors that cause results not to be as anticipated, estimated or intended. There can be no assurance that such forward-looking information and statements will prove to be accurate as actual results and future events could differ materially from those anticipated in such information and statements. Accordingly, readers should not place undue reliance on forward-looking information and statements. The forward-looking information and statements contained herein are presented for the purposes of assisting readers in understanding our expected financial and operating performance and our plans and objectives and may not be appropriate for other purposes.

The forward-looking information and statements contained in this Quarterly Report on Form 10-Q represent our views and expectations as of the date of this Quarterly Report on Form 10-Q. We anticipate that subsequent events and developments may cause our views to change. However, while we may elect to update such forward-looking information and statements at a future time, we have no current intention of doing so except to the extent required by applicable law.

PART I — FINANCIAL INFORMATION

Item 1. Financial Statements

TILT HOLDINGS INC.
Condensed Consolidated Balance Sheets

(Amounts Expressed in Thousands of United States Dollars, Except for Share Amounts)

	March 31, 2024 (unaudited)	December 31, 2023 (audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 2,219	\$ 2,034
Restricted cash	1,300	1,298
Trade receivables, net	17,777	17,919
Inventories	36,838	32,908
Prepaid expenses and other current assets	1,749	2,115
Assets held for sale	—	—
Total current assets	59,883	56,274
Non-current assets		
Property, plant and equipment, net	49,847	51,185
Right-of-use assets – finance, net	2,048	2,242
Right-of-use assets – operating, net	12,266	12,296
Investments	—	1
Intangible assets, net	81,563	84,801
Loans receivable	1,030	1,066
Deferred tax asset	5,524	3,657
Goodwill	17,721	17,721
Other assets	1,945	1,945
TOTAL ASSETS	\$ 231,827	\$ 231,188
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 53,601	\$ 49,098
Income taxes payable	2,772	2,564
Deferred revenue	4,241	6,083
Finance lease liability, current portion	1,238	1,203
Operating lease liability, current portion	82	72
Notes payable, current portion	29,128	17,052
Total current liabilities	91,062	76,072
Non-current liabilities		
Finance lease liability, net of current portion	2,721	3,041
Operating lease liability, net of current portion	12,791	12,743
Notes payable, net of discount, net of current portion	30,545	35,108
Massachusetts lease liability	40,977	40,774
Other liabilities	889	1,057
TOTAL LIABILITIES	178,985	168,795
Shareholders' equity		
Common shares, without par value, unlimited shares authorized, 387,447,009 and 384,833,546 issued and outstanding as of March 31, 2024 and December 31, 2023, respectively	856,512	856,422
Additional paid-in capital	225,267	225,250
Warrants	5,835	5,835
Accumulated other comprehensive income	966	973
Accumulated deficit	(1,035,738)	(1,026,087)
TOTAL SHAREHOLDERS' EQUITY	52,842	62,393
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 231,827	\$ 231,188

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

TILT HOLDINGS INC.
Condensed Consolidated Statements of Operations and Comprehensive Loss (Unaudited)
(Amounts Expressed in Thousands of United States Dollars, Except Share and Per Share Amounts)

	Three Months Ended March 31,	
	2024	2023
Revenues, net	\$ 37,504	\$ 42,264
Cost of goods sold	(30,787)	(33,468)
Gross profit	<u>6,717</u>	<u>8,796</u>
Operating expenses:		
Wages and benefits	4,496	5,784
General and administrative	3,483	5,620
Sales and marketing	142	404
Share-based compensation expense	107	293
Depreciation and amortization	3,866	4,129
Impairment loss	12	188
Total operating expenses	<u>12,106</u>	<u>16,418</u>
Operating loss	<u>(5,389)</u>	<u>(7,622)</u>
Other income (expense):		
Interest income	2	64
Other income	204	97
Gain on sale of assets	—	8,401
Unrealized loss on investment	(1)	—
Loan receivable losses	—	(388)
Loss on foreign currency exchange	(4)	—
Interest expense	(6,043)	(4,092)
Total other income (expense)	<u>(5,842)</u>	<u>4,082</u>
Loss from operations before income tax and non-controlling interest	<u>(11,231)</u>	<u>(3,540)</u>
Income taxes:		
Income tax benefit (expense)	1,580	(1,326)
Net loss before non-controlling interest	<u>(9,651)</u>	<u>(4,866)</u>
Less: Net loss attributable to non-controlling interest	—	(9)
Net loss attributable to TILT Holdings Inc.	<u>\$ (9,651)</u>	<u>\$ (4,875)</u>
Other comprehensive loss:		
Net loss before non-controlling interest	\$ (9,651)	\$ (4,866)
Foreign currency translation differences	(7)	(2)
Comprehensive loss before non-controlling interest	<u>(9,658)</u>	<u>(4,868)</u>
Less: Net loss attributable to non-controlling interest	—	(9)
Comprehensive loss attributable to TILT Holdings Inc.	<u>\$ (9,658)</u>	<u>\$ (4,877)</u>
Weighted average number of shares outstanding:		
Basic and diluted	385,723,847	377,697,175
Net loss per common share attributable to TILT Holdings Inc.		
Basic and diluted	\$ (0.03)	\$ (0.01)

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

TILT HOLDINGS INC.
Condensed Consolidated Statements of Changes in Shareholders' Equity (Unaudited)
(Amounts Expressed in Thousands of United States Dollars, Except Share Amounts)

	Common Shares		Additional Paid in Capital	Warrants	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Non-Controlling Interest	Shareholders' Equity Total
	Shares	Amount						
Balance - December 31, 2023	384,833,546	\$ 856,422	\$ 225,250	\$ 5,835	\$ 973	\$ (1,026,087)	\$ —	\$ 62,393
Share-based compensation	—	—	17	—	—	—	—	17
Issuance and vesting of restricted share units	2,613,463	90	—	—	—	—	—	90
Comprehensive loss for the period	—	—	—	—	(7)	(9,651)	—	(9,658)
Balance - March 31, 2024	387,447,009	\$ 856,512	\$ 225,267	\$ 5,835	\$ 966	\$ (1,035,738)	\$ —	\$ 52,842

	Common Shares		Additional Paid in Capital	Warrants	Accumulated Other Comprehensive Income (Loss)	Accumulated Deficit	Non-Controlling Interest	Shareholders' Equity Total
	Shares	Amount						
Balance - December 31, 2022	377,515,391	\$ 858,143	\$ 225,127	\$ 796	\$ 988	\$ (963,703)	\$ 166	\$ 121,517
Share-based compensation	—	—	31	—	—	—	—	31
Warrants expired	—	—	67	(67)	—	—	—	—
Issuance and vesting of restricted share units	370,744	209	—	—	—	—	—	209
Shares reserved for contingent consideration	—	53	—	—	—	—	—	53
Warrants issued as part of debt modification	—	—	—	5,106	—	—	—	5,106
Comprehensive (loss) income for the period	—	—	—	—	(2)	(4,875)	9	(4,868)
Balance - March 31, 2023	377,886,135	\$ 858,405	\$ 225,225	\$ 5,835	\$ 986	\$ (968,578)	\$ 175	\$ 122,048

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

TILT HOLDINGS INC.
Condensed Consolidated Statements of Cash Flows (Unaudited)
(Amounts Expressed in Thousands of United States Dollars)

	Three Months Ended March 31,	
	2024	2023
Cash flows from operating activities:		
Net loss	\$ (9,651)	\$ (4,866)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Unrealized loss on investments	1	—
Gain on sale of assets and other	(717)	(8,401)
Depreciation and amortization	4,980	5,496
Amortization of operating lease right of use assets	704	484
Change in allowance for doubtful accounts	19	150
Non-cash interest income	—	(67)
Deferred tax	(1,867)	784
Share-based compensation expense	107	293
Accretion (adjustment) of debt discount	(34)	291
Loan receivable losses	—	388
Impairment loss and loss on disposal of assets	12	188
Inventory adjustments	13	225
Non-cash interest expense	4,030	2,037
Net change in working capital items:		
Trade receivables, net	123	419
Inventories	(3,943)	6,779
Prepaid expenses and other current assets	366	(120)
Accounts payable and accrued liabilities	5,052	212
Income tax payable	208	497
Deferred revenue	(1,842)	(1,015)
Net cash (used in) provided by operating activities	(2,439)	3,774
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(221)	(125)
Proceeds from sale of property, plant and equipment	—	15,000
Repayment of loan receivable, net of advances	36	(2,059)
Net cash (used in) provided by investing activities	(185)	12,816
Cash flows from financing activities:		
Payments on lease liability	(901)	(1,788)
Repayments on notes payable and Massachusetts Lease Liability	—	(10,325)
Repayments on Revolving Facility	(25,067)	(29,073)
Debt issuance costs	—	(1,029)
Proceeds from Revolving Facility	28,787	27,316
Net cash provided by (used in) financing activities	2,819	(14,899)
Effect of foreign exchange on cash and cash equivalents	(8)	(2)
Net change in cash and cash equivalents and restricted cash	187	1,689
Cash and cash equivalents and restricted cash, beginning of year	3,332	3,500
Cash and cash equivalents and restricted cash, end of year	\$ 3,519	\$ 5,189
Supplemental disclosures of non-cash investing and financing activities:		
Increases to right of use assets related to Ohio facility	\$ 80	\$ —
Increases to operating lease liability related to Ohio facility	\$ 80	\$ —
Increases to right of use assets related to Pennsylvania Transaction	\$ —	11,974
Increase to operating lease liability related to Pennsylvania Transaction	\$ —	11,880
Reclassification from accounts payable and accrued liabilities to notes payable related to 2023 New Notes (see Note 10)	\$ —	\$ 8,260
Warrants issued related to 2023 Notes (equity classified)	\$ —	\$ 5,106
Noteholder representative fee related to 2023 Refinanced Notes	\$ —	\$ 1,620
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 1,501	\$ 2,962
Cash paid for income taxes	\$ 80	\$ —

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

All dollar amounts expressed in thousands, except per share amounts

1. Nature and Continuance of Operations

TILT Holdings Inc. (“TILT” or the “Company”) is a business solutions provider to the global cannabis industry offering a diverse range of value-added products and services to industry participants. Through a portfolio of companies providing technology, hardware, cultivation and production, TILT services brands and cannabis retailers in regulated markets across 40 states in the United States (“U.S.”), as well as Canada, Israel, Mexico, South America, and the European Union.

TILT was incorporated under the laws of Nevada pursuant to NRS Chapter 78 on June 22, 2018. The Company was continued under the Business Corporations Act (British Columbia) pursuant to a Certificate of Continuance dated November 14, 2018. The Company is a reporting issuer in Canada in the Provinces of British Columbia, Alberta, and Ontario and its common shares are listed for trading on the Cboe Canada (formerly known as the NEO Exchange) under the symbol “TILT.” In addition, the common shares are quoted on the OTCQB in the U.S. under the symbol “TLLTF.” The Company’s head office is in Phoenix, Arizona and its registered office is located at Suite 2400, 745 Thurlow Street., Vancouver, BC V6C 0C5 Canada.

Liquidity and Going Concern

The Company has experienced operating losses since its inception and may continue to incur losses in the development of its business. The Company incurred a comprehensive loss of \$9,658 during the three months ended March 31, 2024 and has an accumulated deficit of \$1,035,738 as of March 31, 2024. Additionally, as of March 31, 2024, the Company had negative working capital of \$31,179 compared to negative working capital of \$19,798 as of December 31, 2023. The negative working capital was mainly related to certain notes payable becoming due within the next 12 months, including the Company’s asset-based revolving credit facility (the “Revolving Facility”), the employee retention credit note, and obligation under the 2023 Refinanced Notes and 2023 New Notes (each defined below). See Note 10 — Notes Payable for additional information.

During the three months ended March 31, 2024, the Company drew proceeds of \$28,787 and made principal and interest payments of \$25,387 on its Revolving Facility. Noteholder fees of \$167 were also paid to the Note Holders (as defined below) related to the 2023 Refinanced Notes (as defined below).

On February 15, 2023 (the “Effective Date”), the Company and its subsidiaries, Jimmy Jang, L.P. (“JJ LP”), Baker Technologies, Inc. and subsidiaries (collectively, “Baker”), Commonwealth Alternative Care (“CAC”), and Jupiter Research LLC (“Jupiter”) (collectively, the “Subsidiary Borrowers”) entered into a first amendment (the “NPA Amendment”) to its existing junior secured note purchase agreement (the “2019 Junior Notes NPA”) with Jordan Geotas, as the noteholder representative (the “Noteholder Representative”) on behalf of the noteholders under the 2019 Junior Notes NPA (the “Note Holders”) and refinanced \$38,000 in aggregate principal amount of secured promissory notes issued originally under the 2019 Junior Notes NPA (the “2023 Refinanced Notes”).

Pursuant to the NPA Amendment, the Subsidiary Borrowers also issued by way of private placement secured promissory notes (the “2023 New Notes”) in the aggregate principal amount of \$8,260 to the Note Holders with a maturity date of February 15, 2027. The consideration for the 2023 New Notes was paid by an offset of an existing unsecured obligation owed by the Subsidiary Borrowers to the Note Holders. See Note 10 — Notes Payable for additional information.

On March 13, 2023, the Company, through its subsidiary Jupiter, entered into an amendment to its existing \$10,000 Revolving Facility to increase the amount available under the Revolving Facility to \$12,500 and extend the maturity date to July 21, 2024. The Revolving Facility bears interest at the prime rate plus 3%.

On May 15, 2023, the Company and its subsidiaries issued senior secured promissory notes in the aggregate principal amount of \$4,500 (the “2023 Bridge Notes”). The 2023 Bridge Notes provided gross cash proceeds of \$4,000 with an original issue discount of \$500 and require monthly payments of \$750 which started July 1, 2023. The 2023 Bridge Notes

All dollar amounts expressed in thousands, except per share amounts

bore interest at the greater of 16% or the prime rate plus 8.5%, payable monthly, with a maturity date of December 1, 2023.

The Company's operating plans for the next 12 months include (i) increasing revenue growth from the sale of existing products and the introduction of new products across all operating segments; (ii) reducing production and operational costs as a result of efficiencies in cannabis operations; (iii) reducing supply chain costs; (iv) reducing and delaying overhead and other certain expenditures; (v) obtaining other financings as necessary; and (vi) deferring principal and interest payments on the 2023 Refinanced Notes.

The Company believes that successfully implementing these operating plans will help to mitigate any substantial doubt raised by our historical operating results and satisfy our estimated liquidity needs for the 12 months following the issuance of these condensed consolidated financial statements. However, during the second quarter of 2023, a primary supplier significantly changed the payment terms of the Company's trade payable. This was an unexpected event impacting short-term liquidity, therefore, the Company secured additional financing through the issuance of the 2023 Bridge Notes to satisfy the transition of the new payment terms and provide working capital for the business. The issuance of the 2023 Bridge Notes required the Company to have to obtain a waiver of the financial covenant defaults expected to occur for the 2023 Refinanced Notes and 2023 New Notes. As a result of the waiver, the Company had to pay default interest rates on its 2023 Refinanced Notes and 2023 New Notes, which resulted in an increase from 16.5% as of March 31, 2023 to 25.0% as of June 30, 2023. On October 2, 2023, the Company and the Subsidiary Borrowers entered into the Limited Waiver and Continued Forbearance Agreement (the "October Forbearance Agreement") with the Noteholder Representative on behalf of the Note Holders under the 2019 Junior Notes NPA. The October Forbearance Agreement reduced the interest rate on the 2023 Refinanced Notes to 17.0% as of September 30, 2023. Despite the Company's ability to secure a lower interest rate on the 2023 Refinanced Notes, the 17.0% interest rate is considered high and the 2023 New Notes remain at the default interest rate of 25.0%.

The interest payments required under these rates will constrain the Company's liquidity while these rates remain in effect. While, as of the date of this filing, the Company is not in compliance with certain payment obligations and covenants under the 2023 Refinanced Notes and the 2023 New Notes, the Note Holders have not provided the requisite notice of an event of default under these notes. The Company is currently negotiating a waiver and forbearance agreement with the Note Holders to address such non-compliance. As of March 31, 2024, the Company used a default rate of 26.0% to accrue interest on the 2023 Refinanced Notes due to this non-compliance. The 26.0% interest rate represents the prime rate of 8.5% plus 8.5%, the 8% default interest rate, and the 1% annual increase pursuant to the NPA Amendment, as the principal balance was more than \$30,000 as of the first anniversary of the Effective Date. The Company can provide no assurance that the parties will reach a mutually agreeable resolution. See Note 10 — Notes Payable for additional information.

As a result of this and other factors, the Company cannot predict with certainty the outcome of its actions to generate liquidity as discussed above, including the availability of additional financing as necessary, or whether such actions would generate the expected liquidity as currently planned. Therefore, management has concluded there is substantial doubt about the Company's ability to continue as a going concern within 12 months after the date of this filing. These financial statements do not include any adjustments that might become necessary should the Company be unable to continue as a going concern.

2. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated unaudited interim financial statements have been prepared in accordance with (i) United States generally accepted accounting principles ("U.S. GAAP") for interim financial information, (ii) the instructions to Form 10-Q, and (iii) Article 10 of Regulation S-X. In the opinion of our management, our condensed consolidated unaudited financial statements and accompanying notes (the "Financial Statements") include all normal recurring adjustments that are necessary for the fair statement of the interim periods presented. Interim results of operations are not necessarily indicative of results for the full year, or any other period. The Financial Statements should be read in conjunction with our audited consolidated financial statements (and notes thereto) in our Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the "Form 10-K"), as filed with the SEC on March 22, 2024 and with the relevant

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Canadian securities regulatory authorities under our profile on SEDAR+. Except as noted below, there have been no material changes to the Company's significant accounting policies and estimates during the three months ended March 31, 2024. Certain information, footnotes and disclosures normally included in the annual financial statements, prepared in accordance with U.S. GAAP, have been condensed or omitted in accordance with SEC rules and regulations.

The financial data included in the Financial Statements contain all normal and recurring adjustments necessary to state fairly the consolidated financial condition, results of operations, statements of stockholder's equity, and cash flows of the Company for the three months ended March 31, 2024 and 2023. Operating results for the three months ended March 31, 2024 are not necessarily indicative of the results that may be expected for the current year ending December 31, 2024.

Principles of Consolidation

The Financial Statements have been prepared in accordance with U.S. GAAP and include the accounts of the Company and its subsidiaries, as well as the accounts of any entities over which the Company has a controlling financial interest in accordance with Accounting Standards Codification ("ASC") 810 Consolidation. All transactions and balances between these entities have been eliminated upon consolidation.

Reclassifications

Certain amounts in the Company's prior period consolidated financial statements have been reclassified to conform to the current period presentation.

During the three months ended March 31, 2024, the Company reclassified \$225 of inventory valuation adjustments previously included in inventories under net change in working capital adjustments on the condensed consolidated statement of cash flows for the three months ended March 31, 2023 into inventory adjustments. See Note 4 — Inventories for additional information.

Use of Estimates

The preparation of these Financial Statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, and revenue and expenses. Actual results may differ from these estimates.

Restricted Cash

The Company had \$1,300 and \$1,298 in restricted cash as of March 31, 2024 and December 31, 2023, respectively. Included in restricted cash was a certificate of deposit related to Jupiter customs bonds totaling \$1,254 and \$1,253 as of March 31, 2024 and December 31, 2023, respectively.

Estimated Useful Lives and Depreciation of Property, Plant and Equipment

Depreciation of property, plant and equipment is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and the useful lives of assets.

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Depreciation is provided on a straight-line basis over the following estimated useful lives:

Machinery and equipment	2 – 7 years
Furniture and fixtures	3 – 10 years
Autos and trucks	5 years
Buildings and land improvements	5 – 39 years
Leasehold improvements	Lesser of useful life of lease term
Greenhouse - agricultural structure	5 – 15 years
Land	Not depreciated

The assets' residual values, useful lives and methods of depreciation are reviewed annually and adjusted prospectively, if appropriate. Buildings, leaseholds and land improvements are amortized over the shorter of either the useful life or term of the lease. Gains or losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and recognized in the consolidated statements of operations and comprehensive loss.

Recently Adopted and Issued Accounting Pronouncements

Recent accounting pronouncements, other than those below, issued by the Financial Accounting Standards Board ("FASB"), the American Institute of Certified Public Accountants, and the SEC did not or are not believed by management to have a material effect on the Company's present or future financial statements.

Recently Issued Accounting Pronouncements

In November 2023, the FASB issued accounting standards update ("ASU") 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which improves reportable segment disclosure requirements. These improvements include enhanced disclosures about significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss, the CODM's title and position, the measures the CODM uses to measure segment profit or loss, and how the CODM uses those measures. This guidance is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning December 15, 2024 with early adoption permitted. The Company adopted this standard on January 1, 2024 and does not anticipate any impact on its Financial Statements.

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. This ASU requires public companies to annually disclose specific categories in the rate reconciliation and provide additional information for reconciling items that meet a quantitative threshold, certain information about income taxes paid, and certain information disaggregated between federal, state, and/or domestic, and foreign. This guidance is effective for public business entities after December 15, 2024, with early adoption permitted. The Company expects to adopt this standard on January 1, 2025 and does not anticipate any impact to its Financial Statements.

3. Fair Value Measurements

A number of the Company's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities. Fair value is defined as the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets and liabilities that are required to be recorded at fair value, the Company considers all related factors of the asset by market participants in which the Company would transact and the market-based risk measurements or assumptions that market participants would use in pricing the asset or liability, such as inherent risk, transfer restrictions and credit risk.

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When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Assets and liabilities measured at fair value on a recurring basis, including their levels in the fair value hierarchy are as follows:

Fair value of assets	As of March 31, 2024		
	Fair value hierarchy		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 2,219	\$ —	\$ —
Restricted cash	1,300	—	—
Investments	—	—	—
Total	\$ 3,519	\$ —	\$ —

Fair value of assets	As of December 31, 2023		
	Fair value hierarchy		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 2,034	\$ —	\$ —
Restricted cash	1,298	—	—
Investments	1	—	—
Total	\$ 3,333	\$ —	\$ —

Investments

The Akerna Corp. (“Akerna”) marketable security balance included in investments has Level 1 inputs. During the three months ended March 31, 2024, the Company recorded a loss of \$1 related to its investment in Akerna. This loss is included in unrealized loss on investment on the condensed consolidated statements of operations and comprehensive loss. No losses were recorded related to the Company’s investments during the three months ended March 31, 2023.

The HERBL Inc. (“HERBL”) investment is recorded at cost and excluded from the schedule above. During the three months ended June 30, 2023, the Company noted declining conditions in its investment in HERBL and performed impairment testing. The Company concluded that the balance of its investment was not recoverable due to HERBL entering into receivership in June 2023 and recorded an impairment of \$6,400 on its investment in HERBL, bringing the balance of its investment to zero. These losses are included in unrealized loss on investment on the condensed consolidated statements of operations and comprehensive loss. The balance was \$0 as of both March 31, 2024 and December 31, 2023.

See Note 6 — Investments for additional information about the Akerna and HERBL investments.

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Financial Instruments

The carrying amount of the Company's notes payable, which are recorded at amortized cost, approximates their fair value based upon market interest rates available to the Company for debt of similar risk and maturities, a Level 3 input. See Note 10 — Notes Payable for additional information. Additionally, the carrying amount of the Company's loans receivable, net of expected credit losses, approximates their fair values. See Note 8 — Loans Receivable for additional information. There were no transfers between the levels of fair value hierarchy during each of the three months ended March 31, 2024 and 2023.

4. Inventories

The Company's inventories consisted of the following:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Raw Material - cannabis plants	\$ 3,153	\$ 2,651
Raw Material - other materials	502	483
Work in progress	12,592	13,380
Finished goods	19,018	14,758
Supplies and accessories	1,573	1,636
Total Inventories	<u>\$ 36,838</u>	<u>\$ 32,908</u>

During the three months ended March 31, 2024 and 2023, the Company recorded total inventory adjustments of \$13 and \$225, respectively. These amounts are included in cost of goods sold on the condensed consolidated statements of operations and comprehensive loss.

5. Property, Plant and Equipment and Assets Held for Sale

The Company's property, plant and equipment consisted of the following:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Land	\$ 6,266	\$ 6,266
Machinery & equipment	13,358	13,250
Furniture & fixtures	752	751
Buildings	45,100	45,107
Greenhouse - agricultural structure	6,769	6,769
Leasehold improvements	10,402	10,380
Construction in progress	322	306
Autos & trucks	275	275
Total cost	<u>83,244</u>	<u>83,104</u>
Less: Accumulated depreciation	<u>(33,397)</u>	<u>(31,919)</u>
Total property, plant and equipment	<u>\$ 49,847</u>	<u>\$ 51,185</u>

During the three months ended March 31, 2024 and 2023, the Company recognized depreciation expense of \$1,548 and \$1,975, respectively. Depreciation expense is included in cost of goods sold and depreciation and amortization in the condensed consolidated statements of operations and comprehensive loss.

On February 15, 2023, the Company completed the sale and leaseback of its facility in White Haven, Pennsylvania (the "White Haven Facility") to the buyer (the "Pennsylvania Transaction"). The Company received cash proceeds of \$15,000 and derecognized the property, plant and equipment with a net carrying value of \$6,599, resulting in a gain on sale of assets of \$8,401. See Note 12 — Leases for additional information.

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Assets Held for Sale

During the six months ended June 30, 2023, it was determined that the assets held for sale had a fair market value less costs to sell of zero. As a result, the Company recorded an impairment loss of \$325 to bring these assets held for sale to fair market value less costs to sell. This loss is included in impairment loss and loss on disposal of assets in the condensed consolidated statements of operations and comprehensive loss, and the assets are still held for sale as of March 31, 2024.

6. Investments

The Company's investments included the following:

<u>Investment</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>
HERBL, Inc.	\$ —	\$ —
Akerna	—	1
Total Investments	\$ —	\$ 1

The Company recorded the investment in HERBL in accordance with a measurement alternative due to the lack of readily determinable fair values. The measurement alternative allows the Company to record the investments at cost, less impairment, if any, and subsequently adjust for observable price changes of identical or similar investments of the same issuer. The Company intended to hold its investment in HERBL until HERBL executed its next equity financing. The Company had an arrangement with HERBL that, upon such equity financing, if the fair value of HERBL's class B common shares was less than the initial cost, HERBL would issue additional shares to make up the difference. However, during June 2023, the Company determined that it was not probable that HERBL would issue additional shares to bring the Company's investment up to its initial cost as HERBL entered into receivership in June 2023. Therefore, the Company recorded a loss of \$6,400 on its investment in HERBL to adjust the balance to zero.

During the three months ended March 31, 2024, the Company recorded an unrealized loss of \$1 from its investment in Akerna. This loss is included in unrealized loss on investment in the condensed consolidated statements of operations and comprehensive loss. There was no loss recorded during the three months ended March 31, 2023.

7. Intangible Assets

Intangible asset balances consisted of the following:

<u>Intangible assets</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Customer relationships	\$ 85,300	\$ 85,300
Trademarks	29,000	29,000
License rights ⁽¹⁾	2,361	2,361
Patents & technologies	32,900	32,900
Backlog and non-competition agreements	10,406	10,406
Total intangible assets, at cost	159,967	159,967
Less: Accumulated amortization	(78,404)	(75,166)
Total intangible assets, net	\$ 81,563	\$ 84,801

(1) License rights primarily consists of indefinite-lived intangible assets, which pertain to licenses for cultivation and processing, are not subject to amortization and are tested annually for impairment. Refer to Note 2 — Basis of Presentation and Summary of Significant Accounting Policies of the Company's audited consolidated financial statements and accompanying notes as of and for the years ended December 31, 2023 and 2022 filed on Form 10-K for further information pertaining to the Company's accounting policies for its intangible assets.

Amortization expense for the three months ended March 31, 2024 and 2023 was \$3,238 and \$3,264, respectively. This amortization expense is included in depreciation and amortization in the condensed consolidated statements of operations and comprehensive loss.

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The following table outlines the estimated future annual amortization expense for intangible assets as of March 31, 2024:

<u>Years ended December 31,</u>	<u>Estimated</u>
	<u>amortization</u>
Remainder of 2024	\$ 9,715
2025	12,953
2026	12,796
2027	12,796
2028	12,778
Thereafter	18,325
	<u>\$ 79,363</u>

8. Loans Receivable

A breakdown of the loans receivable terms and balances are as follows:

<u>Loans receivable</u>	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Teneo Fund SPVi LLC Note	\$ 5,586	\$ 5,622
Pharma EU, LLC Note	1,410	1,410
A&R Note	710	710
SSZ and Elev8 Note	1,002	1,002
Pure Hana Synergy Note	224	224
Little Beach Harvest Note	—	—
Total loans receivable	\$ 8,932	\$ 8,968
Less allowance for expected credit losses	(7,902)	(7,902)
Loans receivable	\$ 1,030	\$ 1,066

Little Beach Harvest Note

In June 2023, the Company determined that it may not be able to collect the full amount of its loan receivable from Little Beach Harvest (the “Little Beach Harvest Note”). As a result, the Company did not record any interest income for the three months ended March 31, 2024.

On September 1, 2023, due to a strategic shift to focus on the Company’s core business, the Company divested its interests in its joint venture in Standard Farms New York LLC (“SFNY”) pursuant to a membership interest purchase agreement (“MIPA”) by and among SFNY Holdings Inc. (“SFNY Holdings”), SFNY, each wholly owned subsidiaries of the Company, and CGSF Investments, LLC (“CGSF”), a wholly owned subsidiary of PowerFund Holdings II LLC (the “CGSF/SFNY Divestiture”). As a result, the Company wrote off the principal of the Little Beach Harvest Note as well as related accrued interest totaling \$5,135 and the balance no longer exists.

The Little Beach Harvest Note loan receivable balance was subject to an interest rate of 9.0%. Interest income was \$64 for the three months ended March 31, 2023 and is included in interest income on the condensed consolidated statements of income and comprehensive loss.

Impairment

At each reporting date, the Company assesses whether loans receivables are credit impaired by applying the guidance in ASC 326. A financial asset is considered “credit impaired” when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit impairment is based on observable data such as significant financial difficulty of the debtor and a breach of contract such as a default or being past due. During the three months ended March 31, 2024, the Company did not record additional allowance for expected credit losses related to its remaining loans receivable.

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Current expected credit loss (“CECL”) reserves are measured by the Company on a probability-weighted basis based on historical experience, current conditions, and reasonable and supportable forecasts. Our assessment includes a variety of factors, including underlying credit, relative maturity dates of the loans, economic considerations, as well as ongoing legal and other regulatory developments in the industry. The process includes consideration for the assumed recovery rate from underlying collateral, with adjustments for time value of money and estimated costs for obtaining and selling the collateral. Given the repayment profile and underlying terms of such loans, CECL reserves are generally estimated over the contractual term of the loan.

The following tables present an analysis of the credit quality of loans receivable, together with impairment losses recognized based on lifetime CECL reserves:

Nature of collateral	As of March 31, 2024		
	Gross amounts	Loan losses	Net
Security interest in assets of counterparty	\$ 7,298	\$ (6,268)	\$ 1,030
Third party guarantee	1,410	(1,410)	—
No collateral	224	(224)	—
Net loans receivable	\$ 8,932	\$ (7,902)	\$ 1,030

Nature of collateral	As of December 31, 2023		
	Gross amounts	Loan losses	Net
Security interest in assets of counterparty	\$ 7,334	\$ (6,268)	\$ 1,066
Third party guarantee	1,410	(1,410)	—
No collateral	224	(224)	—
Net loans receivable	\$ 8,968	\$ (7,902)	\$ 1,066

9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

Accounts payable and accrued liabilities	March 31, 2024	December 31, 2023
Accounts payable	\$ 51,273	\$ 46,326
Accrued payroll	1,840	1,534
Other current payables/liabilities ⁽¹⁾	488	1,238
Total accounts payable and accrued liabilities	\$ 53,601	\$ 49,098

(1) Includes amounts such as accrued host agreement due, accrued freight, loyalty liability, and sales tax payable.

Loyalty Liability

For some of its locations, the Company offers a loyalty reward program to its dispensary customers. The loyalty points are accrued when earned as a liability and reduction of revenues. The amount earned is deferred until the loyalty points are redeemed or expire. As of March 31, 2024 and December 31, 2023, the loyalty liability totaled \$118 and \$126, respectively, which is included in accounts payable and accrued liabilities on the condensed consolidated balance sheets.

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10. Notes Payable

Notes payable and debt issuance costs are as follows:

Notes Payable	March 31, 2024	December 31, 2023
Revolving Facility – Interest rate of 11.5% as of March 31, 2024, due on July 21, 2024 ⁽¹⁾	\$ 8,470	\$ 4,749
2023 Refinanced Notes – Interest rate of 26.0% per annum as of March 31, 2024, due on February 15, 2026 ⁽²⁾	42,572	39,943
2023 New Notes – Interest rate of 25.0% per annum as of March 31, 2024, due on February 15, 2027 ⁽²⁾	10,825	10,169
Employee Retention Credit note and other loans and borrowings	3,594	3,594
Total debt	65,461	58,455
Less: Debt discount and debt issuance costs	(5,788)	(6,295)
Less: Current portion of notes payable	(29,128)	(17,052)
Total debt, net of discount, net of current portion	\$ 30,545	\$ 35,108

(1) The Revolving Facility initially matures on July 21, 2024 and automatically renews for successive one-year terms unless terminated by the Company or the lender.

(2) The interest rates of 26.0% and 25.0% are the default interest rates in effect.

Revolving Facility

During the three months ended March 31, 2024, the Company drew proceeds of \$28,787 and made principal and interest payments of \$25,387 on its Revolving Facility. The balance of the related debt issuance costs was \$73 as of March 31, 2024.

2023 Refinanced Notes

The 2023 Refinanced Notes include the remaining \$38,000 in aggregate principal from the 2019 Junior Notes. The 2023 Refinanced Notes mature on February 15, 2026, and bear interest at the greater of 16% or the prime rate plus 8.5% payable monthly. The interest rate is subject to an increase by 1% annually if the aggregate principal amount outstanding under the 2023 Refinanced Notes is greater than \$30,000 on the first anniversary or greater than \$22,000 on the second anniversary of the Effective Date. On February 15, 2024, the interest rate increased to 18.0%, as the aggregate principal amount was greater than \$30,000 on that date. During the three months ended March 31, 2024, compounded interest of \$2,629 was added to the principal balance and no principal payments were made.

As part of the 2023 Refinanced Notes, the Company recognized a debt discount of \$7,106. This amount included \$5,106 related to the fair value of warrants issued to each Note Holder (the “Debt Modification Warrants”), and \$2,000 in fees owed to the Note Holders. The amortization adjustment was \$34 for the three months ended March 31, 2024, which is included in interest expense on the condensed consolidated statements of operations and comprehensive loss. The balance net of amortization was \$5,715 as of March 31, 2024.

2023 New Notes

The 2023 New Notes issued included aggregate principal of \$8,260 due to the Note Holders, with a maturity date of February 15, 2027. The 2023 New Notes bear interest at the greater of 16% or the prime rate plus 8.5% payable quarterly. During the three months ended March 31, 2024, compounded interest of \$656 was added to the principal balance and no principal payments were made.

The NPA Amendment includes affirmative and negative covenants (including financial maintenance covenants), events of default, representations and warranties that are customary for debt securities of this type. The 2023 New Notes and 2023 Refinanced Notes may be accelerated and all remedies may be exercised by the Note Holders in case of an event

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of default, which includes events that customarily constitute an event of default for debt securities of this type as well as upon a change of control.

While, as of the date of this filing, the Company is not in compliance with certain payment obligations and covenants under the 2023 Refinanced Notes and the 2023 New Notes, the Note Holders have not provided the requisite notice of an event of default under these notes. The Company is currently negotiating a waiver and forbearance agreement with the Note Holders to address such non-compliance. The Company can provide no assurance that the parties will reach a mutually agreeable resolution.

Employee Retention Credit Note

During August 2023, the Company filed a claim with the Internal Revenue Service (“IRS”) for employee retention credits (“ERC”) totaling \$3,615 applicable to the first and second fiscal quarter of 2021. In order to accelerate access to the ERC funds, the Company signed an agreement with 1861 Acquisition LLC (“1861 Acquisition”). 1861 Acquisition advanced cash of \$3,594 to the Company, which included \$619 for fees charged by 1861 Acquisition. These fees are included in interest expense on the condensed consolidated statements of operations and comprehensive loss. The Company expects the IRS to approve or deny its claim within the next 12 months. Upon approval and payment of the claim, the Company will settle the outstanding balance in cash to 1861 Acquisition. In the event the claim is denied in part or in total, the Company is required to pay the outstanding balance upon the denial.

Future principal payments due and interest accrued as of March 31, 2024 were as follows:

<u>Year ended December 31,</u>	<u>Amount</u>
Remainder of 2024	\$ 13,470
2025	7,930
2026	28,000
2027	8,260
2028	—
2029 and thereafter	—
Total principal payments	57,660
Add: Accrued interest	7,801
Total	\$ 65,461

11. Massachusetts Lease Liability

On May 16, 2022, the Company entered into a long-term lease with Innovative Industrial Properties (“IIP”) for a cultivation, processing and product manufacturing lab and medical and adult-use dispensary in Taunton, Massachusetts (the “Taunton Facility”) with a term of 20 years and a maturity date of May 15, 2042, with two five year extensions exercisable at the Company’s discretion (the “Massachusetts Lease Liability”). Lease payments are due monthly and are subject to an annual escalation of 2.5% after two years. The Company anticipates no disruption to CAC’s operations as a result of these transactions.

The transaction with IIP was accounted for as a failed sale and leaseback transaction, where the Company retained the Taunton Facility balances included in property, plant, and equipment, and recognized a note payable of \$40,000.

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As of March 31, 2024, the Massachusetts Lease Liability had a balance of \$40,977. Future minimum lease payments for the Massachusetts Lease Liability as of March 31, 2024 are as follows:

Year ended December 31,	Amount
Remainder of 2024	\$ 3,369
2025	4,581
2026	4,695
2027	4,812
2028	4,933
2029 and thereafter	157,922
Total future payments	180,312
Less: Interest	(147,047)
Total present value of minimum payments	33,265
Add: Estimated ending residual value	7,712
Total	\$ 40,977

12. Leases

The following table provides the components of lease cost recognized in the condensed consolidated statements of operations and comprehensive loss:

	Three Months Ended March 31,	
	2024	2023
Operating lease cost	\$ 704	\$ 484
Finance lease cost:		
Amortization of lease assets	194	257
Interest on lease liabilities	81	102
Finance lease costs	275	359
Total lease cost	\$ 979	\$ 843

The following table provides the weighted average discount rates and weighted average remaining lease terms for the Company's leases:

	March 31, 2024	December 31, 2023
Operating leases		
Weighted average discount rate	19.1%	19.1%
Weighted average remaining lease term	13.37 years	13.65 years
Finance leases		
Weighted average discount rate	8.0%	8.0%
Weighted average remaining lease term	3.63 years	3.82 years

On February 15, 2023, the Company completed the Pennsylvania Transaction for \$15,000 with net proceeds used towards repayment of debt and working capital. The lease is for an initial term of 15 years with two five-year options to extend. Rent under the lease will be payable monthly at a rate of \$188 per month. Rent increases 2.5% on the second annual anniversary of the lease commencement date and then annually throughout the initial lease term.

The Company determined that control of the White Haven Facility transferred to the buyer, resulting in a sale of the White Haven Facility. The Company received cash proceeds of \$15,000 and recognized a right-of-use ("ROU") asset of \$11,974 and an operating lease liability of \$11,880 upon closing the transaction. The effective interest rate on the operating lease liability is 19.33%. The Company recorded a gain on the sale leaseback of \$8,401, which is included in gain on sale of assets on the condensed consolidated statements of operations. As of March 31, 2024, the balance of the operating lease liability associated with this transaction was \$12,128.

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Future minimum lease payments under the Company's non-cancellable leases as of March 31, 2024 are as follows:

<u>Year ended December 31,</u>	<u>Finance</u>	<u>Operating</u>
Remainder of 2024	\$ 1,123	\$ 1,839
2025	1,212	2,490
2026	926	2,553
2027	916	2,618
2028	310	2,637
2029 and thereafter	69	25,664
Total undiscounted lease liabilities	4,556	37,801
Interest or discount on lease liabilities	(597)	(24,928)
Total present value of minimum lease payments	3,959	12,873
Lease liability - current portion	(1,238)	(82)
Lease liability	<u>\$ 2,721</u>	<u>\$ 12,791</u>

13. Shareholders' Equity

LP Units of JJ LP

The limited partnership units ("LP Units") of JJ LP, a subsidiary of the Company, are exchangeable for one common share at any time per request of the owner of the LP Units and are not saleable or transferable without the Company's authorization. During each of the three months ended March 31, 2024 and 2023, there were no LP Units of JJ LP converted to common shares. As of each of March 31, 2024 and December 31, 2023, 43,821,379 LP Units of JJ LP were issued and outstanding.

Warrants

In connection with the NPA Amendment, the Company issued Debt Modification Warrants to purchase 2,421.05 common shares of the Company for every one thousand dollar principal amount of the 2023 Refinanced Notes held by each Note Holder, for a total aggregate of 91,999,901 Debt Modification Warrants, all of which were classified as equity at the time of issuance and were recorded at a fair value of \$5,106. Each Debt Modification Warrant is exercisable at any time prior to its expiration for one common share of the Company at an exercise price of \$0.07084 per common share. The Debt Modification Warrants expire on February 15, 2030 and contain customary anti-dilution adjustment provisions.

The fair value of the Debt Modification Warrants upon issuance was determined using the Black-Scholes option pricing model with the following assumptions:

Exercise price	\$	0.07084
Expected dividend yield		0%
Risk free interest rate		3.94%
Expected life in years		7.0 years
Expected volatility		84.00%

The following table summarizes the warrants that remain outstanding as of March 31, 2024:

<u>Security issued</u>	<u>Exercise Price (CAD\$)</u>	<u>Number of Warrants</u>	<u>Expiration Date</u>
Founders separation warrants	1.05	9,045,691	September 30, 2024
Debt modification warrants	0.09	91,999,901	February 15, 2030
		<u>101,045,592</u>	

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A rollforward of warrant activity for the three months ended March 31, 2024 is as follows:

Warrants	Number of Warrants	Weighted Average Exercise Price
Balance as of December 31, 2023	101,045,592	CAD\$ 0.18
Issued	—	—
Expired	—	—
Balance as of March 31, 2024	101,045,592	CAD\$ 0.18

Share-based Compensation

Under the Amended and Restated 2018 Stock and Incentive Plan (the “2018 Plan”), the Company has reserved 60,000,000 common shares to be issued as awards to employees, management, directors and consultants of the Company, as designated by the Company’s board of directors (the “Board”) or the compensation committee of the Board. “Award” is defined in the 2018 Plan to include options, stock appreciation rights, restricted stocks, restricted stock units, performance stock units, dividend equivalents and stock-based awards. As of March 31, 2024, 31,470,210 common shares are available for issuance under the 2018 Plan.

Restricted Stock Units (“RSUs”)

A summary of the status of the RSUs outstanding is as follows:

RSUs	Number of RSUs	Weighted Average Grant Date Fair Value
Unvested as of December 31, 2023	7,552,704	\$ 0.04
Vested	(2,655,767)	0.03
Forfeited	(79,894)	0.12
Unvested as of March 31, 2024	4,817,043	\$ 0.04

During the three months ended March 31, 2024 and 2023, the Company recorded \$48 and \$104 of share-based compensation expense relating to RSUs. For the three months ended March 31, 2023, the share-based compensation expense relating to RSUs included \$53 related to the performance awards for achievement of milestones relating to the projects of the Company’s joint venture in CGSF. Due to the CGSF/SFNY Divestiture, no share-based compensation related to performance awards was recognized during the three months ended March 31, 2024.

On June 12, 2023, the Company approved the grant of 2,468,301 RSUs to the audit committee chair of the Board, and 7,404,903 RSUs to three new members of the Board. These RSUs were issued at a weighted average grant date fair value of \$0.03, and share-based compensation expense of \$41 was recognized related to these RSUs during the three months ended March 31, 2024.

During August 2023, the Board granted 3,196,678 RSUs and issued 538,425 shares to certain employees in connection with their employment with the Company. Of these RSUs, 143,525 had vested as of September 1, 2023 and 443,537 vested on December 1, 2023. The remaining RSUs are scheduled to vest on a quarterly basis through December 1, 2026. These RSUs were issued at a weighted-average grant date fair value of \$0.0294, and share-based compensation expense of \$11 was recognized related to these RSUs during the three months ended March 31, 2024.

As of March 31, 2024, there was \$68 of remaining RSU expense to be recognized over the weighted average remaining period of 1.15 years.

All dollar amounts expressed in thousands, except per share amounts

Share Options

A summary of the status of the share options outstanding is as follows:

Share options	Share Options Common Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (yrs)
Balance as of December 31, 2023	8,552,161	\$ 0.62	4.94
Forfeited	(252,605)	\$ 0.47	—
Balance as of March 31, 2024	8,299,556	\$ 0.63	4.65

For the three months ended March 31, 2024 and 2023, the Company recorded share-based compensation expense of \$17 and \$31, respectively, of share-based compensation related to these options. As of March 31, 2024, there was \$31 of remaining expense to be recognized over the weighted average remaining period of 0.79 years.

The following table summarizes the share options that remain outstanding as of March 31, 2024:

Security issuable	Number of Share Options	Exercise Price	Expiration Date	Options Exercisable
Legacy employees	190,000	\$ 1.58-1.58	June 28, 2028	190,000
2020 employee grant	4,426,958	\$ 0.30-0.48	June 25, 2030 - December 1, 2030	3,473,256
Other employee grants	3,682,598	\$ 0.41-3.96	June 17, 2024 - November 21, 2029	3,682,598
Total	8,299,556			7,345,854

Performance Stock Units (“PSUs”)

A summary of the status of the PSUs outstanding is as follows:

Performance Stock Units	Number of PSUs	Weighted Average Grant Date Fair Value
Unvested as of December 31, 2023	3,377,366	\$ 0.17
Forfeited	(85,928)	0.14
Unvested as of March 31, 2024	3,291,438	\$ 0.17

During the three months ended March 31, 2024 and 2023, the Company recorded share-based compensation expense of \$42 and \$158, respectively, relating to PSUs.

On September 26, 2023, the Company entered into an employment agreement with Tim Conder, the Company’s CEO (the “CEO Agreement”) pursuant to which Mr. Conder serves as the CEO of the Company. Under the terms of the CEO Agreement, Mr. Conder received an equity grant of 2,000,000 PSUs under the 2018 Plan of which up to 1,000,000 PSUs would vest upon the Board’s approval of whether metrics set forth in the CEO Agreement had been achieved as of December 31, 2023. On April 19, 2024, the Board determined that two-thirds of the metrics set forth in the CEO Agreement had been achieved as of December 31, 2023 and Mr. Conder is entitled to 666,666 PSUs. On April 19, 2024, the Company also entered into a side letter with Mr. Conder pursuant to which Mr. Conder agreed that the 666,666 PSUs would vest on June 30, 2024. The remaining 1,000,000 will vest upon the Board’s approval of whether metrics set forth in the CEO Agreement have been achieved as of June 30, 2024. The vesting of these remaining 1,000,000 PSUs is dependent on Mr. Conder’s continued employment by the Company and certain non-market conditions applicable to the vesting period.

As of December 31, 2023, Mark Scatterday, the Company’s former CEO and director, and major stockholder and lender, had an aggregate of 700,000 PSUs outstanding, which will vest on May 31, 2025, contingent upon the achievement of certain subsequent sales of products by Jupiter.

All dollar amounts expressed in thousands, except per share amounts

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As of March 31, 2024, there was \$130 of remaining expense to be recognized over the weighted average remaining period of 1.01 years.

A summary of the PSU awards granted containing market conditions as of March 31, 2024 is as follows:

PSU Grant Dates	Closing Price on		Expiration Date	Outstanding (#)
	Grant Date			
September 30, 2021	\$	0.39	December 31, 2024	290,293
December 19, 2021	\$	0.23	December 31, 2024	301,145
Total				591,438

14. Loss Per Share

The following is a calculation of basic and diluted loss per share for the three months ended March 31, 2024 and 2023:

Loss per share	Three Months Ended	
	March 31, 2024	March 31, 2023
Net loss attributable to TILT	\$ (9,651)	\$ (4,875)
Weighted-average number of shares and units outstanding - basic and diluted	385,723,847	377,697,175
Loss per share - basic and diluted	\$ (0.03)	\$ (0.01)

Diluted loss per share for each of the three months ended March 31, 2024 and 2023 is the same as basic loss per share as the issuance of shares on exercise of warrants and share options is anti-dilutive.

15. Income Taxes

The following table summarizes the Company's income tax expense and effective tax rates for the three months ended March 31, 2024 and 2023:

	Three Months Ended	
	March 31, 2024	March 31, 2023
Loss before income taxes	\$ (11,231)	\$ (3,540)
Income tax benefit (expense)	1,580	(1,326)
Effective tax rate	14%	(37%)

The Company is treated as a U.S. corporation under Section 7874 of the Internal Revenue Code ("IRC") and is expected to be subject to U.S. federal, state and local income tax. However, the Company is expected, regardless of any application of Section 7874 of the IRC, to be treated as a Canadian resident Company for Canadian income tax purposes. Due to the organizational structure and multinational operations, the Company is subject to taxation in U.S. federal, state and local and Canadian jurisdictions.

As the Company operates in the cannabis industry, it is subject to the limitations of Section 280E of the IRC. This results in permanent differences for ordinary and necessary business expenses deemed non-allowable under Section 280E of the IRC for income tax purposes. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

On February 15, 2023, the Company completed the Pennsylvania Transaction which generated ordinary and capital gains of \$11,074. See Note 5 — Property, Plant and Equipment and Assets Held for Sale for further details. The Company estimates that approximately \$6,814 of the gain from the sale will be offset by the net capital loss carryforward. Therefore, during 2023, the Company recognized a release of the valuation allowance related to the capital loss carryforward and the corresponding benefit of the release.

All dollar amounts expressed in thousands, except per share amounts

During June 2023, the Company determined its investment in HERBL was not recoverable. As a result, the Company recorded a loss of \$6,400 to its HERBL investment, adjusting the balance to zero. This loss was treated as a capital loss, which will more likely than not be realized. See Note 6 — Investments for additional information.

16. Related Party Transactions

On February 15, 2023, the Company refinanced a payable due to Mark Scatterday, a former director of the Company, through an affiliated entity, Mak One LLP (“Mak One”) as part of its 2023 Refinanced Notes. As of March 31, 2024, the balance of the payable was \$21,073, which is included in notes payable in the condensed consolidated balance sheet as of March 31, 2024. The payable bears interest at 16% or the prime rate plus 8.5% (26.0% as of March 31, 2024) and is due on February 15, 2026. The portion of the old note included in accounts payable and accrued liabilities was reclassified as part of the 2023 New Notes entered into on February 15, 2023 and is now included in notes payable with a balance of \$5,253 on the condensed consolidated balance sheet as of March 31, 2024. This payable bears interest at the greater of 16% or the prime rate plus 8.5%, plus the default rate of 8% (25.0% as of March 31, 2024) and is due on February 15, 2027. As of March 31, 2024, the Company had paid \$2,604 and zero in interest to Mak One on the 2023 Refinanced Notes and the 2023 New Notes, respectively.

The Company had another payable due to Mark Scatterday through Mak One related to the issuance of the 2019 Senior Notes. On February 15, 2023, the 2019 Senior Notes were repaid and retired, and this payable was settled.

The Company also has a payable of \$2,127 as of March 31, 2024 owed to Adam Draizin, a current director of the Company, through Callisto Collaboration, LLC (“Callisto”), an affiliated entity. Of this amount, \$1,703 is related to the 2023 Refinanced Notes and is included in notes payable in the condensed consolidated balance sheet as of March 31, 2024. This payable bears interest at the greater of 16% or the prime rate plus 8.5% (26.0% as of March 31, 2024) and is due on February 15, 2026. The remaining \$424 is related to the 2023 New Notes and is included in accounts payable and accrued liabilities in the condensed consolidated balance sheet as of March 31, 2024. This payable bears interest at the greater of 16% or the prime rate plus 8.5%, plus the default rate of 8% (25.0% as of March 31, 2024) and is due on February 15, 2027. As of March 31, 2024, the Company had paid \$210 and zero in interest to Callisto on the 2023 Refinanced Notes and the 2023 New Notes, respectively.

In connection with the 2023 Refinanced Notes, the Company issued 91,999,901 Debt Modification Warrants to the Note Holders. Of this amount, 45,539,951 Debt Modification Warrants were issued to Mark Scatterday through Mak One and 3,679,996 Debt Modification Warrants were issued to Adam Draizin through Callisto.

In connection with the 2023 Bridge Notes, the Company had additional payables due to Mark Scatterday through Mak One and Adam Draizin through Sheldrake Interests, LLC (“Sheldrake”), an affiliated entity. On August 30, 2023, the Company fully repaid the 2023 Bridge Notes. As part of this repayment, the Company paid \$2,669 to Mak One and \$216 to Sheldrake.

All dollar amounts expressed in thousands, except per share amounts

17. Commitments and Contingencies

Guarantees

One of the Company's subsidiaries is a guarantor to a lease agreement of a Massachusetts dispensary to which the Company has also extended the Teneo Fund SPVi LLC note, as discussed in the Form 10-K. The Company may be liable for the future minimum rental payments under this lease if the dispensary defaults as follows:

Year ended December 31,	Amount
Remainder of 2024	\$ 347
2025	477
2026	492
2027	506
2028	522
2029 and thereafter	—
Total	\$ 2,344

Litigation

The Company has been named as a defendant in several legal actions and is subject to various risks and contingencies arising in the normal course of business. Management is of the opinion that the outcome of these uncertainties will not have a material adverse effect on the Company's financial position.

On February 2, 2021, the Haze Corp., Nevada ("Haze NV") filed a complaint in Clark County, Nevada's Eighth Judicial District Court against Brand Canna Growth Partners, Inc. ("BCGP"), Michael Orr, Santé Veritas Holdings, Inc. ("SVH") and Santé Veritas Therapeutics Inc. ("SVT"). As explained below, Haze NV later amended its complaint to name a second plaintiff, Haze Corp., Ontario ("Haze Ontario," and together with Haze NV, the "Plaintiffs"). SVH and SVT are wholly owned subsidiaries of the Company. In the operative complaint, Plaintiffs allege that Haze Ontario entered into a Finder's Fee Agreement with BCGP in 2017 and under that agreement Haze Ontario is owed payments for acquisitions that it facilitated. Plaintiffs further allege that Haze Ontario assigned its rights to payment under the Finder's Fee Agreement to Haze NV. Plaintiffs allege that BCGP is influenced and governed by SVH and SVT because they had the same principal, defendant Michael Orr, and SVH and SVT are liable for BCGP's or Orr's obligations under the Finders' Fee Agreement. SVT and SVH moved for dismissal. On May 13, 2021, the court granted the motion without prejudice. On May 17, 2021, Haze NV moved for leave to amend its complaint, adding Haze Ontario as a plaintiff and again naming SVT and SVH as defendants. That motion to amend was granted by the court on June 29, 2021. SVT and SVH again moved to dismiss on July 23, 2021. On August 10, 2021, Plaintiffs again moved to amend, seeking to add TILT Holdings Inc. ("TILT") and TILT Holdings US, Inc. ("TILT US" and, collectively with SVT, SVH and TILT, the "TILT Parties") as defendants. On October 7, 2021, the motions to dismiss were denied without prejudice and the court ordered the parties to participate in limited jurisdictional discovery before entertaining renewed motions to dismiss. Upon the closing of the limited jurisdictional discovery period, the TILT Parties moved to dismiss on April 19, 2023. By order dated August 29, 2023, the court granted the TILT Parties' motion to dismiss due to lack of personal jurisdiction. The Plaintiffs filed a notice of appeal on September 8, 2023. By order dated March 18, 2024, the Supreme Court of the State of Nevada dismissed the Plaintiffs' appeal due to lack of appellate jurisdiction.

18. Reportable Segments and Revenue

The Company operates in four reportable segments: (i) cannabis segment (SVH), Standard Farms, LLC ("Standard Farms PA"), Standard Farms Ohio, LLC ("Standard Farms OH"), Baker, and CAC, (ii) accessories (Jupiter), (iii) corporate, and (iv) other (White Haven RE, LLC). The cannabis segment includes production, cultivation, extraction and sale of cannabis products and accessories including the manufacturing and distribution of electronic, non-nicotine (i.e., cannabis) devices and systems. The accessories segment includes distribution of vapor cartridges and accessory products. The corporate segment represents all corporate level and unallocated items and includes the Company's operating expenses

All dollar amounts expressed in thousands, except per share amounts

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and intercompany eliminations. On September 1, 2023, the Company completed the CGSF/SFNY Divestiture, which was included in other for the three months ended March 31, 2023.

Information related to each segment is set out below. Segment net loss is used to measure performance because management believes that this information is the most relevant in evaluating the results of the respective segments relative to other entities that operate in the same industries.

The following tables present the operating results of the Company's segments:

	Three Months Ended March 31, 2024				Total
	Cannabis	Accessories	Corporate	Other	
Revenue	\$ 10,389	\$ 27,369	\$ —	\$ —	\$ 37,758
Inter-segment revenue	—	(254)	—	—	(254)
Net revenue	\$ 10,389	\$ 27,115	\$ —	\$ —	\$ 37,504
Share-based compensation	—	—	107	—	107
Depreciation and amortization	647	3,219	—	—	3,866
Wages and benefits	1,852	1,267	1,377	—	4,496
Impairment loss	12	—	—	—	12
Interest expense	1,369	925	3,749	—	6,043
Net loss	\$ (1,874)	\$ (2,581)	\$ (5,194)	\$ (2)	\$ (9,651)

	Three Months Ended March 31, 2023				Total
	Cannabis	Accessories	Corporate	Other	
Revenue	\$ 12,961	\$ 29,413	\$ —	\$ —	\$ 42,374
Inter-segment revenue	—	(110)	—	—	(110)
Net revenue	\$ 12,961	\$ 29,303	\$ —	\$ —	\$ 42,264
Share-based compensation	—	—	241	52	293
Depreciation and amortization	794	3,238	14	83	4,129
Wages and benefits	2,221	1,273	2,290	—	5,784
Impairment loss	48	—	140	—	188
Interest expense	1,356	642	2,094	—	4,092
Loan losses	—	—	388	—	388
Net (loss) income	\$ (6,648)	\$ (2,650)	\$ (3,613)	\$ 8,045	\$ (4,866)

Geographic Areas

The following table presents financial information relating to geographic areas in which the Company operated for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31, 2024			
	US	Canada	Other	Total
Revenue	\$ 33,356	\$ 4,139	\$ 9	\$ 37,504
Gross profit	5,594	1,123	-	6,717

	Three Months Ended March 31, 2023			
	US	Canada	Other	Total
Revenue	\$ 38,175	\$ 4,080	\$ 9	\$ 42,264
Gross profit	7,790	1,002	4	8,796

All dollar amounts expressed in thousands, except per share amounts

19. Subsequent Events

On May 2, 2024, Standard Farms PA entered into a Secured Promissory Note (the “Note”) with a third party experienced retailer and operator (the “Lender”). Under the terms of the Note, Standard Farms PA can borrow up to \$10,500 from the Lender. Proceeds from the Note will be used to construct dispensaries obtained via a permit issued from the Department of Health, Bureau of Medical Marijuana, of the Commonwealth of Pennsylvania (the “Commonwealth”). The Standard Farms PA permit will allow the construction and operation of up to three medical marijuana dispensaries in the Commonwealth (collectively, the “Retail Locations”). Proceeds from the Note will also be utilized for the initial setup and operation of the Retail Locations.

The Note will mature on December 31, 2027, and will initially bear interest at 20%. The interest rate will automatically increase to 30% upon Standard Farm PA’s opening a Retail Location and completing a first commercial sale in the Commonwealth (“Location Opening Date”). The interest rate will automatically increase to 40% six months after the Location Opening Date. No principal or interest payments will be due under the Note before the maturity date, and the Note may not be prepaid in cash or kind without the Lender’s prior written consent.

Because the capital is to fund the construction and operation of the new dispensaries, the Note is secured by a first priority security interest in the retail assets of Standard Farms PA (the “Borrower Collateral”), and a second priority security interest in the equity interests of Standard Farms PA that are held by the Company’s subsidiary Baker (the “Baker Collateral”). Also on May 2, 2024, the Lender entered into a Consent, Collateral Release and Subordination Agreement (the “Subordination Agreement”) with the Company’s existing creditors to subordinate the Lender’s interest in the Baker Collateral and release the existing creditors’ interest in the Borrower Collateral. The Lender’s security interest is further described in a Security Agreement, dated May 2, 2024, by and among Standard Farms PA, the Lender and Baker Technologies, Inc. (the “Security Agreement” and, collectively with the Note and the Subordination Agreement, the “Dispensary Agreements”).

The Note and the Security Agreement include usual and customary loan provisions including: affirmative and negative covenants, events of default, representations and warranties. In the case of an event of default under the Note, Standard Farms may become obligated to pay a multiplied balance of up to four times the then-outstanding obligations under the Note, all obligations under the Note may be accelerated and all remedies may be exercised by Lender. All obligations under the Note are guaranteed by the Company, which guarantee shall terminate if and when a first priority security interest in the properly held retail assets of a wholly-owned subsidiary of Standard Farms PA is activated. In order to provide collateral free from prior liens, under the terms of the loan documents, Lender will have a first-priority security interest in the equity interests of any such wholly-owned subsidiary that may be held by Standard Farms PA.

All dollar amounts expressed in thousands, except per share amounts

Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations

You should read the following management’s discussion and analysis of financial condition and results of operations (“MD&A”) in conjunction with our unaudited consolidated condensed financial statements for the three months ended March 31, 2024, included elsewhere in this Quarterly Report on Form 10-Q. This MD&A contains statements that are forward-looking. Please refer to the discussion of forward-looking statements and information set out under the heading “Cautionary Note Regarding Forward-Looking Statements” identified in this Quarterly Report on Form 10-Q. These statements are based on current expectations and assumptions that are subject to risks, uncertainties and other factors. Actual results could differ materially because of the factors discussed below or elsewhere in this Quarterly Report on Form 10-Q. See Item 1A. “Risk Factors” of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (the “Form 10-K”). Unless otherwise indicated or the context otherwise requires, references herein to “we,” “us,” “our,” and the “Company” refers to TILT Holdings Inc., and its subsidiaries.

All dollar amounts presented in this MD&A are presented in thousands of U.S. dollars (“USD\$”, “\$”, or “US\$”), except per share amounts, unless otherwise indicated.

Overview

The Company was incorporated under the laws of Nevada pursuant to NRS Chapter 78 on June 22, 2018. The Company was continued under the Business Corporations Act (British Columbia) pursuant to a Certificate of Continuance dated November 14, 2018. The Company’s head office is located in Phoenix, Arizona and its registered office is located in Vancouver, British Columbia.

The Company operates through two business divisions: Inhalation Technology and Cannabis. The Inhalation Technology division encompasses the Jupiter Research LLC (“Jupiter”) business, through which the Company sells vape and accessory products and services to regulated markets across 40 states in the United States (“U.S.”), as well as Canada, Israel, Mexico, South America and the European Union. The cannabis division includes operations in Massachusetts at Commonwealth Alternative Care (“CAC”), in Pennsylvania at Standard Farms LLC (“Standard Farms PA”) and in Ohio at Standard Farms Ohio, LLC (“Standard Farms OH”).

Through CAC, the Company operates a vertically integrated marijuana facility in Taunton, Massachusetts, dually licensed for both medical and adult-use cultivation, manufacturing and retail sales and a dispensary, also dually licensed for both medical and adult-use retail sales, in Brockton, Massachusetts. CAC also has another medical dispensary operating in Cambridge, Massachusetts. Through these operating facilities, the Company produces, packages, and sells a variety of cannabis flower, vape cartridge, concentrate, edible and topical products via wholesale and retail to Massachusetts customers.

Through Standard Farms PA, the Company operates a fully licensed integrated cultivation and manufacturing facility specializing in high-quality medical cannabis products such as vape cartridges, flower, capsules, oil syringes and tinctures, all of which are sold via wholesale to Pennsylvania customers throughout the Commonwealth.

Through Standard Farms OH’s facility outside Cleveland, Ohio, the Company produces high-quality medical cannabis products from cannabis biomass including tinctures, vape cartridges, syringes, topicals, concentrates and edibles, which are then sold and distributed throughout Ohio via wholesale to other licensed cannabis businesses.

All dollar amounts expressed in thousands, except per share amounts

Significant Developments in the Quarter

Supplier Guaranty

On January 28, 2024, the Company and its subsidiaries Jimmy Jang, L.P. (“JJ LP”), Baker Technologies, Inc. (“Baker”), CAC, Jimmy Jang Holdings, Inc. (“JJH”), JJ Blocker Co. (“JJB”), SFNY Holdings, Inc. (“SFNY”), Sea Hunter Therapeutics, LLC (“SEA”), Standard Farms OH, Standard Farms PA, SH Finance Company, LLC (“SF Finance”), and Jupiter (collectively with the Company, JJ LP, Baker, CAC, JJH, JJB, SFNY, SEA, Standard Farms OH, Standard Farms PA, SF Finance, the “Guarantors”) and Shenzhen Smoore Technology Limited (“Smoore”) and each of its affiliates that sells products to Jupiter and the Company (the “Buyers”) from time to time (collectively, the “Secured Party”) entered into: (i) a Debt and Security Agreement in favor of the Secured Party (the “Debt and Security Agreement”); (ii) a Guaranty in favor of the Secured Party (the “Guaranty”); (iii) a Side Letter (the “Side Letter”); (iv) a Trademark Security Agreement in favor of the Secured Party; and (v) an Equity Pledge Agreement in favor of the Secured Party (collectively, the “Smoore Agreements”). On January 28, 2024, Entrepreneur Growth Capital LLC, Jordan Geotas, the Secured Party, and Jupiter also entered into a Subordination and Intercreditor Agreement (the “Subordination and Intercreditor Agreement”).

The Guarantors entered into the Smoore Agreements with the Secured Party, its principal supplier of vaping product inventory (“Inventory”) to Jupiter, to provide for the payment of currently existing accounts payable by the Guarantors to the Secured Party (“Accounts”), reduction in the outstanding balance of Accounts from time to time in the future, and the continued shipping of Inventory to Jupiter by the Secured Party.

Under the Side Letter between the Secured Party and the Guarantors, the Guarantors agree to reduce the outstanding balance of all Accounts to \$31,000 as of April 30, 2024; \$29,000, as of June 30, 2024; \$27,000, as of September 30, 2024; and \$25,000, as of December 31, 2024 (the “Reduction Plan”). The outstanding balance of Accounts that are unpaid more than 90 days after the invoice date plus, without duplication, the aggregate dollar amount of all Accounts, regardless of the date of the related invoice, in excess of \$25,000 will incur interest at the rate of 8% per annum.

The Guarantors will have 120 days from the invoice date to pay each outstanding Account. However, the Guarantors will have a “Transition Period” through April 15, 2024 to pay any Accounts that are outstanding more than 150 days after the invoice date and through June 23, 2024 to pay any Accounts that are outstanding more than 120 days after the invoice date, provided certain conditions are satisfied, including compliance with the Reduction Plan, no default or event of default having occurred under the Smoore Agreements, and no event of default having been declared by the Guarantors’ existing secured creditors. If the Guarantors fail to make timely payments on the Accounts, including under the Reduction Plan, interest will accrue on all outstanding Accounts, regardless of aggregate size or date of invoice, at the rate of 8% per annum.

Under the Side Letter, the Secured Party agreed to promptly ship ordered Inventory to Jupiter so long as the Guaranty described below remains in full force and effect, no event of default has occurred under the Smoore Agreements, and the Guarantors have performed, and the outstanding balance of all Accounts does not exceed the amounts permitted, under the Reduction Plan.

In addition to the Side Letter, the Smoore Agreements include a Guaranty by the Guarantors (other than Jupiter) for the benefit of the Secured Party, pursuant to which, those Guarantors guarantee the payment and performance of Jupiter’s and the Company’s obligations to the Secured Party with respect to the Accounts. The Guarantors have also entered into a Debt and Security Agreement and related collateral security documents with or for the benefit of the Secured Party, under which the Guarantors’ performance under the Guaranty and Jupiter’s obligations with respect to the Accounts are secured by security interests in all of the assets of the Guarantors, including a pledge of all equity interests in all direct and indirect subsidiaries of the Company. Pursuant to the Subordination and Intercreditor Agreement, certain of the Guarantors’ existing secured creditors have agreed that, other than the security interest in certain assets that were pledged by Jupiter to secure a revolving credit facility, existing security interests in favor of those existing creditors are subordinated to the security interests created under the Smoore Agreements.

All dollar amounts expressed in thousands, except per share amounts

Certain Trends and Uncertainties

The Company's business, financial condition, and results of operations may be impacted by certain trends and uncertainties. See Liquidity and Capital Resources below and Liquidity and Capital Resources under Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Item 1A. "Risk Factors" of the Form 10-K filed with the U.S. Securities and Exchange Commission (the "SEC") and on the System for Electronic Document Analysis and Retrieval Plus ("SEDAR+") for discussions of trends and uncertainties and risks that may affect the Company.

Results of Operations

The Company reports the results of operations of its affiliates and subsidiaries from the date that control commences, either through the purchase of the business or control through a management agreement. The following selected financial information includes only the results of operations after the Company established control of affiliates and subsidiaries. Accordingly, the information included below may not be representative of the results of operations of such affiliates or subsidiaries had their results of operations been included for the entire reporting period.

Three Months Ended March 31, 2024 Compared to Three Months Ended March 31, 2023

	Three Months Ended March 31,	
	2024	2023
Revenues, net	\$ 37,504	\$ 42,264
Cost of goods sold	(30,787)	(33,468)
Gross profit	6,717	8,796
Operating loss	(5,389)	(7,622)
Total other expense	(5,842)	4,082
Loss from operations before income tax and non-controlling interest	(11,231)	(3,540)
Net loss before non-controlling interest	(9,651)	(4,866)
Net income attributable non-controlling interest	-	(9)
Net loss attributable to TILT Holdings Inc.	(9,651)	(4,875)

Revenue

Revenue represents the amount the Company expects to receive for goods and services in its contracts with customers, net of discounts and sales taxes. The Company's revenue is derived from the following:

Sale of Goods — Vaporization and Inhalation Devices:

Revenue from the wholesale sales of accessories is recognized when the Company transfers control and satisfies its performance obligations on wholesale sales of accessories. Revenue is recognized from product sales at a point in time following the transfer of control of such products to the customer, which typically occurs upon shipment or delivery, depending on the terms of sale with the customer.

Sale of Goods — Cannabis:

Revenue from the direct sale of goods to customers for a fixed price is recognized when the Company transfers control of the goods to the customer. The Company transfers control and satisfies its performance obligations on retail sales upon delivery and acceptance from the customer. For dispensary sales, this occurs at the point of sale at the dispensary. The Company satisfies its performance obligation on wholesale sales when goods are delivered to the customer.

Revenue for the three months ended March 31, 2024 was \$37,504, down from \$42,264 for the three months ended March 31, 2023, reflecting a year-over-year decrease of \$4,760 or 11%. The decrease was mainly attributable to the

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cannabis division which decreased revenue by \$2,572 or 20% year-over-year, primarily driven by a decrease in sales volume and a price normalization in Massachusetts and Pennsylvania. Additionally, Jupiter decreased revenue by \$2,188 or 7% year-over-year, mainly driven by lower average price per unit in certain product lines.

Cost of Goods Sold, Gross Profit and Gross Margin Percentage

Cost of goods sold represents costs directly related to manufacturing and distribution of the Company's products. Primary costs include raw materials, packaging, direct labor, overhead, shipping and handling, the depreciation of certain property, plant and equipment, and tariffs. Manufacturing overhead and related expenses include salaries, wages, employee benefits, utilities, maintenance, and property taxes. Cost of goods sold also includes inventory valuation adjustments.

Cost of goods sold for the three months ended March 31, 2024 was \$30,787, down from \$33,468 for the three months ended March 31, 2023 reflecting a year-over-year decrease of \$2,681 or 8%, mainly attributable to the cannabis division driven primarily by decreased sales volume and a one-time credit of \$821 for certain prior community impact fees which are no longer assessed. Additionally, Jupiter decreased cost of goods sold mainly through year-over-year reductions in the average cost per unit, partially offsetting the impact of the average price decrease in certain product lines described above.

Gross profit reflects revenue less production costs primarily consisting of labor, materials, rent and facilities, supplies, overhead, and amortization on production equipment, shipping, packaging and other expenses required to grow and manufacture cannabis products. Gross margin represents gross profit as a percentage of revenue.

The Company's gross profit for the three months ended March 31, 2024 was \$6,717, down from \$8,796 for the three months ended March 31, 2023, which reflects a year-over-year decrease of \$2,079 or 24%. Gross margin was 18% and 21% for the three months ended March 31, 2024 and 2023, respectively. The decrease in gross profit was mainly driven by decreased revenue at Jupiter and in the cannabis division as described above, whereas the contraction in gross margin was primarily driven by lower average pricing relative to the prior year period.

Total Operating Expenses

Total operating expenses primarily consists of costs incurred at the Company's corporate offices, share-based compensation, personnel costs including wages and employee benefits, professional service costs including accounting and legal expenses, rental costs associated with certain of the Company's offices and facilities, insurance expenses, costs associated with advertising and marketing the Company's products and other general and administrative expenses which support the Company's business.

The following is a summary of the Company's operating expenses derived from the condensed consolidated financial statements of the Company for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
Wages and benefits	\$ 4,496	\$ 5,784
General and administrative	3,483	5,620
Sales and marketing	142	404
Share-based compensation expense	107	293
Depreciation and amortization	3,866	4,129
Impairment loss	12	188
Total operating expenses	\$ 12,106	\$ 16,418

Total operating expenses for the three months ended March 31, 2024 were \$12,106, a decrease of \$4,312 or 26% year-over-year from \$16,418. The decrease was primarily driven by a decrease in general and administrative expense mainly due to a decrease in bad debt, cost savings related to the refocus of retail operations in Massachusetts in the intervening period, a decrease in one-time expenses related to sale-leaseback transactions and cost control efforts throughout the

All dollar amounts expressed in thousands, except per share amounts

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Company. In addition, wages and benefits decreased year-over-year chiefly driven by a lower headcount which decreased from 420 to 344 as of March 31, 2023 and March 31, 2024 respectively.

Impairment Losses

Impairment losses for the three months ended March 31, 2024 were \$12, a decrease of \$176 or 94% year-over-year from \$188 for the three months ended March 31, 2023. The impairment loss in the prior period was mainly driven by the write down of certain assets held for sale to their fair market value, whereas there was no such write down during the current period.

Total Other Expense

The following is a summary of the Company's total other expense derived from the consolidated financial statements of the Company for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
Interest income	\$ 2	\$ 64
Other income	204	97
Gain on sale of assets	-	8,401
Unrealized loss on investment	(1)	-
Loan receivable losses	-	(388)
Loss on foreign currency exchange	(4)	-
Interest expense	(6,043)	(4,092)
Total other income (expense)	\$ (5,842)	\$ 4,082

Other expense for the three months ended March 31, 2024 was \$5,842, a decrease of \$9,924 from other income of \$4,082 for the three months ended March 31, 2023, primarily driven by a decrease in the gain on sale of assets as there were no asset sales during the period as compared to the prior year period sale-leaseback of the Company's White Haven facility described in Note 5 – Property, Plant and Equipment and Assets Held for Sale. Additionally there was a year-over-year increase in interest expense mainly driven by higher interest rates on the Company's debt. The foregoing were partially offset by the decrease in the loan receivable losses as a result of the Company's CECL analysis of loans outstanding.

Income Tax Benefit (Expense)

As the Company operates in the cannabis industry, it is subject to the limits of Section 280E of the Internal Revenue Code under which the Company is only allowed to deduct expenses directly related to the cost of production. As such, the effective tax rate can be highly variable and may not correlate to pre-tax income or loss.

Income tax benefit for the three months ended March 31, 2024 was \$1,580, an increase of \$2,906 from income tax expense of \$1,326 for the three months ended March 31, 2023. See Note 15 — Income Taxes for further details.

Net Loss Attributable to TILT

The Company recorded net loss of \$9,651 for the three months ended March 31, 2024 compared to net loss of \$4,875 for the three months ended March 31, 2023, for an increase in net loss of \$4,776 primarily driven by the \$9,924 increase in other expense and the \$2,079 decrease in gross profit, partially offset by the \$4,312 decrease in operating expense and the \$2,906 increase in income tax benefit.

All dollar amounts expressed in thousands, except per share amounts

Liquidity and Capital Resources

The Company closely monitors and manages its capital resources to assess the liquidity required to fund fixed asset capital expenditures and operations.

Liquidity and Going Concern

The Company's balance of cash and cash equivalents was \$2,219 as of March 31, 2024 compared to \$2,034 as of December 31, 2023. The Company requires cash to: (i) fund operating expenses, working capital requirements, including accounts payable and accrued liabilities, and outlays for strategic acquisitions and investments, (ii) service debt, including principal and interest; (iii) conduct research and development; and (iv) incur capital expenditures.

The Company has experienced operating losses since its inception and may continue to incur losses in the development of its business. The Company incurred a comprehensive loss of \$9,658 during the three months ended March 31, 2024 and has an accumulated deficit of \$1,035,738 as of March 31, 2024. Additionally, as of March 31, 2024, the Company had negative working capital of \$31,179 compared to negative working capital of \$19,798 as of December 31, 2023. The negative working capital was mainly related to certain notes payable becoming due within the next 12 months including the Company's asset-based revolving credit facility (the "Revolving Facility"), the employee retention credit note, and obligation under the 2023 Refinanced Notes and 2023 New Notes (each defined below). See Note 10 — Notes Payable for additional information.

During the three months ended March 31, 2024, the Company drew proceeds of \$28,787 and made principal and interest payments of \$25,387 on its Revolving Facility. Noteholder fees of \$167 were also paid to the Note Holders (as defined below) related to the 2023 Refinanced Notes (as defined below).

On February 15, 2023 (the "Effective Date"), the Company and its subsidiaries, Jimmy Jang, L.P. ("JJ LP"), Baker Technologies, Inc. and subsidiaries (collectively, "Baker"), Commonwealth Alternative Care ("CAC"), and Jupiter Research LLC ("Jupiter") (collectively, the "Subsidiary Borrowers") entered into a first amendment (the "NPA Amendment") to its existing junior secured note purchase agreement (the "2019 Junior Notes NPA") with Jordan Geotas, as the noteholder representative (the "Noteholder Representative") on behalf of the noteholders under the 2019 Junior Notes NPA (the "Note Holders") and refinanced \$38,000 in aggregate principal amount of secured promissory notes issued originally under the 2019 Junior Notes NPA (the "2023 Refinanced Notes").

Pursuant to the NPA Amendment, the Subsidiary Borrowers also issued by way of private placement secured promissory notes (the "2023 New Notes") in the aggregate principal amount of \$8,260 to the Note Holders with a maturity date of February 15, 2027. The consideration for the 2023 New Notes was paid by an offset of an existing unsecured obligation owed by the Subsidiary Borrowers to the Note Holders. See Note 10 — Notes Payable for additional information.

On March 13, 2023, the Company, through its subsidiary Jupiter, entered into an amendment to its existing \$10,000 Revolving Facility to increase the amount available under the Revolving Facility to \$12,500 and extend the maturity date to July 21, 2024. The Revolving Facility bears interest at the prime rate plus 3%.

On May 15, 2023, the Company and its subsidiaries issued senior secured promissory notes in the aggregate principal amount of \$4,500 (the "2023 Bridge Notes"). The 2023 Bridge Notes provided gross cash proceeds of \$4,000 with an original issue discount of \$500 and require monthly payments of \$750 which started July 1, 2023. The 2023 Bridge Notes bore interest at the greater of 16% or the prime rate plus 8.5%, payable monthly, with a maturity date of December 1, 2023.

The Company's operating plans for the next 12 months include (i) increasing revenue growth from the sale of existing products and the introduction of new products across all operating segments; (ii) reducing production and operational costs as a result of efficiencies in cannabis operations; (iii) reducing supply chain costs; (iv) reducing and delaying overhead and other certain expenditures; (v) obtaining other financings as necessary; and (vi) deferring principal and interest payments on the 2023 Refinanced Notes.

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The Company believes that successfully implementing these operating plans will help to mitigate any substantial doubt raised by our historical operating results and satisfy our estimated liquidity needs for the 12 months following the issuance of these condensed consolidated financial statements. However, during the second quarter of 2023, a primary supplier significantly changed the payment terms of the Company's trade payable. This was an unexpected event impacting short-term liquidity, therefore, the Company secured additional financing through the issuance of the 2023 Bridge Notes to satisfy the transition of the new payment terms and provide working capital for the business. The issuance of the 2023 Bridge Notes required the Company to have to obtain a waiver of the financial covenant defaults expected to occur for the 2023 Refinanced Notes and 2023 New Notes. As a result of the waiver, the Company had to pay default interest rates on its 2023 Refinanced Notes and 2023 New Notes, which resulted in an increase from 16.5% as of March 31, 2023 to 25.0% as of June 30, 2023. On October 2, 2023, the Company and the Subsidiary Borrowers entered into the Limited Waiver and Continued Forbearance Agreement (the "October Forbearance Agreement") with the Noteholder Representative on behalf of the Note Holders under the 2019 Junior Notes NPA. The October Forbearance Agreement reduced the interest rate on the 2023 Refinanced Notes to 17.0% as of September 30, 2023. Despite the Company's ability to secure a lower interest rate on the 2023 Refinanced Notes, the 17.0% interest rate is considered high and the 2023 New Notes remain at the default interest rate of 25.0%.

The interest payments required under these rates will constrain the Company's liquidity while these rates remain in effect. While, as of the date of this filing, the Company is not in compliance with certain payment obligations and covenants under the 2023 Refinanced Notes and the 2023 New Notes, the Note Holders have not provided the requisite notice of an event of default under these notes. The Company is currently negotiating a waiver and forbearance agreement with the Note Holders to address such non-compliance. As of March 31, 2024, the Company used a default rate of 26.0% to accrue interest on the 2023 Refinanced Notes due to this noncompliance. The 26.0% interest rate represents the prime rate of 8.5% plus 8.5%, the 8% default interest rate, and the 1% annual increase pursuant to the NPA Amendment, as the principal balance was more than \$30,000 as of the first anniversary of the Effective Date. The Company can provide no assurance that the parties will reach a mutually agreeable resolution. See Note 10 — Notes Payable for additional information.

As a result of this and other factors, the Company cannot predict with certainty the outcome of its actions to generate liquidity as discussed above, including the availability of additional financing as necessary, or whether such actions would generate the expected liquidity as currently planned. Therefore, management has concluded there is substantial doubt about the Company's ability to continue as a going concern within 12 months after the date of this filing. These financial statements do not include any adjustments that might become necessary should the Company be unable to continue as a going concern.

Cash Flows

The following table presents the Company's net cash inflows and outflows from the condensed consolidated financial statements for the three months ended March 31, 2024 and 2023:

	Three Months Ended March 31,	
	2024	2023
Net cash (used in) provided by operating activities	\$ (2,439)	\$ 3,774
Net cash (used in) provided by investing activities	(185)	12,816
Net cash provided by (used in) financing activities	2,819	(14,899)
Effect of foreign exchange on cash and cash equivalents	(8)	(2)
Net changes in cash and cash equivalents	\$ 187	\$ 1,689

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For the three months ended March 31, 2024, cash was provided by (used in):

- Operating activities: (\$2,439). The cash used in operating activities for the three months ended March 31, 2024 increased \$6,213 as compared to cash provided by operating activities of \$3,774 for the three months ended March 31, 2023, mainly driven by timing of inventory purchases.
- Investing activities: (\$185). The cash used in investing activities for the three months ended March 31, 2024 increased \$13,001 from cash provided by investing activities of \$12,816 for the three months ended March 31, 2023. The increase was mainly related to the 2023 proceeds from the Pennsylvania Transaction described in Note 12 — Leases whereas there were no such sale-leaseback transactions during the current year period.
- Financing activities: \$2,819. The cash provided by financing activities for the three months ended March 31, 2024 increased \$17,718 as compared to cash used in financing activities of (\$14,899) for the three months ended March 31, 2023. The increase in cash provided was mainly driven by a decrease in repayments on notes payable compared to the prior period wherein the Company made repayments related to the retiring of the senior secured promissory notes issued on November 1, 2019 and the refinancing that resulted in the 2023 Refinanced Notes. Additionally, there were decreased repayments of the Revolving Facility during the three months ended March 31, 2024 primarily due to timing. For further details see Note 10 — Notes Payable.

Critical Accounting Estimates

There were no significant changes in the Company's significant accounting judgements and estimates during the three months ended March 31, 2024 from those previously disclosed in Item 7., "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Form 10-K.

Recent Accounting Pronouncements

For a discussion of recent accounting pronouncements, see Item 8. Note 2 to our audited consolidated financial statements in the Form 10-K and the "Recent Accounting Pronouncements" section of Note 2 — Basis of Presentation and Summary of Significant Accounting Policies in the notes to the Financial Statements.

Legal and Regulatory Matters

In accordance with the Canadian Securities Administrators Staff Notice 51-352 Issuers with U.S. Marijuana-Related Activities, readers are referred to the subsection titled "Legal and Regulatory Matters" in the Form 10-K, which includes information regarding the current federal and state-level United States regulatory regimes in those jurisdictions where the Company is currently directly and indirectly involved in the cannabis industry, through its subsidiaries and investments. There have been no material updates to this disclosure as of the date hereof.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is a smaller reporting company as defined by Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and, as such, is not required to provide the information under this item.

Item 4. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Company's reports under the Exchange Act, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including the Company's Chief Executive Officer ("CEO") and Interim Chief Financial Officer ("Interim CFO"), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure

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controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, as the Company's controls and procedures are designed to do, and management necessarily was required to apply its judgment in evaluating the risk related to controls and procedures.

In connection with the preparation of this Quarterly Report on Form 10-Q, as of March 31, 2024, an evaluation was performed under the supervision and with the participation of the Company's management, including the CEO and Interim CFO, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). Based on that evaluation, management concluded that the Company's disclosure controls and procedures were effective at a reasonable assurance level as of March 31, 2024.

Changes in Internal Control Over Financial Reporting

There was no change in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) identified in connection with the evaluation of the Company's internal control performed during the quarter ended March 31, 2024 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Except as set forth below, there have been no material changes in the status of the legal proceedings to those previously disclosed in Item 3. “Legal Proceedings” of the Form 10-K, Item 1. Refer to Note 17 — Commitments and Contingencies for additional information on the Company’s legal proceedings.

On February 2, 2021, the Haze Corp., Nevada (“Haze NV”) filed a complaint in Clark County, Nevada’s Eighth Judicial District Court against Brand Canna Growth Partners, Inc. (“BCGP”), Michael Orr, Santé Veritas Holdings, Inc. (“SVH”) and Santé Veritas Therapeutics Inc. (“SVT”). As explained below, Haze NV later amended its complaint to name a second plaintiff, Haze Corp., Ontario (“Haze Ontario,” and together with Haze NV, the “Plaintiffs”). SVH and SVT are wholly owned subsidiaries of the Company. In the operative complaint, Plaintiffs allege that Haze Ontario entered into a Finder’s Fee Agreement with BCGP in 2017 and under that agreement Haze Ontario is owed payments for acquisitions that it facilitated. Plaintiffs further allege that Haze Ontario assigned its rights to payment under the Finder’s Fee Agreement to Haze NV. Plaintiffs allege that BCGP is influenced and governed by SVH and SVT because they had the same principal, defendant Michael Orr, and SVH and SVT are liable for BCGP’s or Orr’s obligations under the Finders’ Fee Agreement. SVT and SVH moved for dismissal. On May 13, 2021, the court granted the motion without prejudice. On May 17, 2021, Haze NV moved for leave to amend its complaint, adding Haze Ontario as a plaintiff and again naming SVT and SVH as defendants. That motion to amend was granted by the court on June 29, 2021. SVT and SVH again moved to dismiss on July 23, 2021. On August 10, 2021, Plaintiffs again moved to amend, seeking to add TILT Holdings Inc. (“TILT”) and TILT Holdings US, Inc. (“TILT US” and, collectively with SVT, SVH and TILT, the “TILT Parties”) as defendants. On October 7, 2021, the motions to dismiss were denied without prejudice and the court ordered the parties to participate in limited jurisdictional discovery before entertaining renewed motions to dismiss. Upon the closing of the limited jurisdictional discovery period, the TILT Parties moved to dismiss on April 19, 2023. By order dated August 29, 2023, the court granted the TILT Parties’ motion to dismiss due to lack of personal jurisdiction. The Plaintiffs filed a notice of appeal on September 8, 2023. By order dated March 18, 2024, the Supreme Court of the State of Nevada dismissed the Plaintiffs’ appeal due to lack of appellate jurisdiction.

Item 1A. Risk Factors

You should carefully consider the risks described in Item 1A. “Risk Factors” of the Form 10-K filed with the SEC and on SEDAR+ at www.sedarplus.com, and all information contained in this Quarterly Report on Form 10-Q, including the Financial Statements and the related notes thereto, before making a decision to purchase our securities.

There have been no material changes since the filing of the Form 10-K to the risk factors previously disclosed therein. If any of such risks actually occur, our business, financial condition or results of operations could be materially adversely affected. If that happens, the value of our securities could decline, and you may lose all or part of your investment.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The Company made no unregistered sales of equity securities during the quarter covered by this report.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

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Item 5. Other Information

During the three months ended March 31, 2024, no director or officer of the Company adopted or terminated a Rule 10b5-1 trading arrangement or non-Rule 10b5-1 trading arrangement, as each term is defined in Item 408(a) of Regulation S-K.

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Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.1*	Debt and Security Agreement, dated January 28, 2024, by and between TILT Holdings Inc., Jimmy Jang, L.P., Baker Technologies, Inc., Commonwealth Alternative Care, Inc., Jimmy Jang Holdings, Inc., JJ Blocker Co., SFNY Holdings, Inc., Sea Hunter Therapeutics, LLC, Standard Farms Ohio LLC, Standard Farms LLC, SH Finance Company, LLC, Jupiter Research, LLC and Shenzhen Smoore Technology Limited (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed with the SEC on January 31, 2024).
10.2*	Guaranty, dated January 28, 2024, by and between TILT Holdings Inc., Jimmy Jang, L.P., Baker Technologies, Inc., Commonwealth Alternative Care, Inc., Jimmy Jang Holdings, Inc., JJ Blocker Co., SFNY Holdings, Inc., Sea Hunter Therapeutics, LLC, Standard Farms Ohio LLC, Standard Farms LLC, SH Finance Company, LLC, Jupiter Research, LLC and Shenzhen Smoore Technology Limited (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed with the SEC on January 31, 2024).
10.3	Side Letter, dated January 28, 2024, by and between TILT Holdings Inc., Jimmy Jang, L.P., Baker Technologies, Inc., Commonwealth Alternative Care, Inc., Jimmy Jang Holdings, Inc., JJ Blocker Co., SFNY Holdings, Inc., Sea Hunter Therapeutics, LLC, Standard Farms Ohio LLC, Standard Farms LLC, SH Finance Company, LLC, Jupiter Research, LLC and Shenzhen Smoore Technology Limited (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed with the SEC on January 31, 2024).
10.4†	Subordination and Intercreditor Agreement, dated January 28, 2024, by and between Entrepreneur Growth Capital LLC, Jordan Geotas, Shenzhen Smoore Technology Limited, and Jupiter Research, LLC (incorporated by reference to Exhibit 10.4 of the Company's Form 8-K filed with the SEC on January 31, 2024).
10.5*	Trademark Security Agreement, dated January 28, 2024, by and between TILT Holdings Inc., Jimmy Jang, L.P., Baker Technologies, Inc., Commonwealth Alternative Care, Inc., Jimmy Jang Holdings, Inc., JJ Blocker Co., SFNY Holdings, Inc., Sea Hunter Therapeutics, LLC, Standard Farms Ohio LLC, Standard Farms LLC, SH Finance Company, LLC, Jupiter Research, LLC and Shenzhen Smoore Technology Limited (incorporated by reference to Exhibit 10.5 of the Company's Form 8-K filed with the SEC on January 31, 2024).
10.6*	Equity Pledge Agreement, dated January 28, 2024, by Jimmy Jang, L.P. in favor of Shenzhen Smoore Technology Limited (incorporated by reference to Exhibit 10.6 of the Company's Form 8-K filed with the SEC on January 31, 2024).
10.7+	Side Letter Agreement, dated April 19, 2024, by and between TILT Holdings Inc. and Tim Conder (filed herewith).
10.8*	Secured Promissory Note, dated May 2, 2024, by and between Standard Farms LLC and Lender (filed herewith).
10.9†*	Consent, Collateral Release and Subordination Agreement, dated May 2, 2024, by and between Standard Farms LLC, Baker Technologies, Inc., New Lender, Shenzhen Smoore Technology Limited, and Jordan Geotas, acting on behalf of himself and as noteholder representative (filed herewith).
10.10*	Security Agreement, dated May 2, 2024, by and between Standard Farms LLC, and Baker Technologies, Inc., in favor of Lender (filed herewith).
31.1	Certification of Principal Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Principal Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).

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<u>Exhibit No.</u>	<u>Description of Exhibit</u>
101.INS	Inline XBRL Instance Document
101.SCH	Inline XBRL Taxonomy Extension Calculation Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (embedded with Inline XBRL document)

† In accordance with Item 601(a)(6) of Regulation S-K, certain information has been excluded from this exhibit.

+ Indicates a management contract or compensatory plan, contract or arrangement in which directors and executive officers participate.

* In accordance with Item 601(b)(2) and/or Item 601(b)(10)(iv) of Regulation S-K, certain information has been excluded from this exhibit because it is both not material and private or confidential. A copy of the omitted portion will be furnished to the Securities and Exchange Commission upon request.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Quarterly Report on Form 10-Q to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 15, 2024

TILT HOLDINGS INC.

By: /s/ Tim Conder
Tim Conder
Chief Executive Officer
(Principal Executive Officer)

By: /s/ Brad Hoch
Brad Hoch
Interim Chief Financial Officer and Chief Accounting Officer
(Principal Financial Officer)

April 19, 2024

STRICTLY PRIVATE & CONFIDENTIAL

**TILT HOLDINGS INC.
2801 E CAMELBACK ROAD
SUITE 180
PHOENIX, AZ 85016**

Re: Side Letter Agreement (“Side Letter Agreement”) between Tim Conder (the “Employee”) and TILT Holdings Inc. (the “Company”)

Dear Sir/Madam:

WHEREAS the Employee and the Company have entered into an employment agreement dated September 26, 2023 pursuant to which the Company agreed to employ the Employee as Chief Executive Officer of the Company (the “**Employment Agreement**”).

WHEREAS all terms in this Side Letter Agreement that are not defined herein and that are defined in the Employment Agreement shall have respective meanings ascribed to them in the Employment Agreement.

WHEREAS pursuant to the Employment Agreement, the Company agreed to grant 2,000,000 performance stock units (“**PSUs**”) to the Employee. The vesting of such PSUs is subject to the achievement of certain metrics (the “**Metrics**”) outlined in the award agreement dated September 26, 2023 evidencing the grant of such PSUs (the “**PSU Award Agreement**”). Further, the Company agreed to pay a target bonus of US\$200,000 prorated to achievement of the Metrics (the “**Target Bonus**”).

WHEREAS the board of directors of the Company (the “**Board**”) has determined that the following Metrics were satisfied in connection with the December 31, 2023 PSU Vesting: (i) the repayment of bridge loan on time and (ii) the resumption of payments to holders of the February 2023 secured notes (together, the “**Vesting Determination**”). As a result, 666,666 PSUs (the “**Achieved PSUs**”) shall vest in connection with the December 31, 2023 PSU Vesting and the Company is obligated to pay \$133,333 as the proration of the Target Bonus (the “**Achieved Target Bonus**”).

AND WHEREAS the Employee and the Company wish to delay the vesting of the Achieved PSUs and the payment of the Target Bonus until June 30, 2024 pursuant to this Side Letter Agreement.

NOW THEREFORE, in consideration for the amount of \$1.00 now paid by each party to the other and good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by each of the parties, the parties have agreed on the following:

1. The Vesting Determination is confirmed.
 2. The vesting of the Achieved PSUs and the payment date of the Achieved Target Bonus shall be June 30, 2024 or such other day as the parties may mutually agree in writing.
-

3. In the event of any conflict between the terms and provisions of this Side Letter Agreement and the terms and provisions of the Employment Agreement or the PSU Award Agreement, the terms and provisions of this Side Letter Agreement shall prevail.
4. The Employee acknowledges and agrees that he had the opportunity to seek independent legal advice prior to the execution and delivery of this Side Letter Agreement and that he has not been prevented or discouraged by the Company from seeking such advice.
5. This Side Letter Agreement shall be governed by and interpreted and enforced in accordance with the laws of the Province of British Columbia and the federal laws of Canada. Each party hereby attorns to the exclusive jurisdiction of the courts of the Province of British Columbia, but nothing in this Side Letter Agreement will prevent the Company from proceeding at its election against the Employee in the courts of any other province or country.

Please sign below to indicate your acceptance of this Side Letter Agreement.

Yours very truly,

TILT HOLDINGS INC.

/s/ Arthur Smuck

Name: Art Smuck

Title: Chairman of the Board of Directors

Acknowledged and agreed to this 19th day of April, 2024.

/s/ Tim Conder

Tim Conder

THIS NOTE HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE “**ACT**”), OR UNDER THE SECURITIES LAWS OF ANY STATE. THIS NOTE MAY BE SUBJECT TO RESTRICTIONS ON TRANSFERABILITY AND RESALE AND MAY NOT BE TRANSFERRED OR RESOLD EXCEPT AS PERMITTED UNDER THE ACT AND THE APPLICABLE STATE SECURITIES LAWS, PURSUANT TO REGISTRATION OR EXEMPTION THEREFROM. INVESTORS SHOULD BE AWARE THAT THEY MAY BE REQUIRED TO BEAR THE FINANCIAL RISKS OF THIS INVESTMENT FOR AN INDEFINITE PERIOD OF TIME. THE ISSUER OF THIS NOTE MAY REQUIRE AN OPINION OF COUNSEL IN FORM AND SUBSTANCE REASONABLY SATISFACTORY TO THE ISSUER TO THE EFFECT THAT ANY PROPOSED TRANSFER OR RESALE IS IN COMPLIANCE WITH THE ACT AND ANY APPLICABLE STATE SECURITIES LAWS.

PAYMENT OF THIS NOTE IS SUBJECT TO THE TERMS AND CONDITIONS OF A CONSENT, COLLATERAL RELEASE AND SUBORDINATION AGREEMENT, DATED AS OF MAY [], 2024 (THE “**INTERCREDITOR AGREEMENT**”), BY AND AMONG JORDAN GEOTAS, ACTING ON BEHALF OF HIMSELF AND ON BEHALF OF THE NOTEHOLDERS (AS DEFINED IN THE INTERCREDITOR AGREEMENT) (THE “**NOTEHOLDER REPRESENTATIVE**”), SHENZHEN SMOORE TECHNOLOGY LIMITED AND ANY OF ITS AFFILIATES THAT JOIN THE INTERCREDITOR AGREEMENT (COLLECTIVELY, “**SMOORE**” AND, TOGETHER WITH THE NOTEHOLDER REPRESENTATIVE, THE “**SENIOR LENDERS**”), THE LENDER, THE BORROWER AND BAKER TECHNOLOGIES, INC. (“**BAKER**”).

STANDARD FARMS LLC

SECURED PROMISSORY NOTE

Up to \$10,500,000

May 2, 2024

WHEREAS, pursuant to recent legislation enacted by the Commonwealth of Pennsylvania, independent grower/processors have been awarded the opportunity to open up to three (3) retail medical marijuana dispensary locations;

WHEREAS, the construction and initial setup of retail medical marijuana dispensaries requires a significant initial outlay of immediately available funds;

WHEREAS, retail medical marijuana dispensaries typically do not become cash-flow positive for some time after their initial opening, and accordingly additional capital is often required after the construction and initial setup; and

WHEREAS, the Borrower (as defined below) wishes to open, build out and operate retail medical marijuana dispensaries but requires a loan from the Lender in order to effect the foregoing.

THEREFORE, FOR VALUE RECEIVED, **STANDARD FARMS LLC**, a Pennsylvania limited liability company (the “**Borrower**”), hereby promises to pay to the order of [***] (the “**Lender**”), on December 31, 2027 (the “**Maturity Date**”) the amount of \$3,000,000 as advanced on the date hereof (the “**Initial Advance**”), as the same may be increased by the parties in

connection with subsequent Advances (as defined below) funded by the Lender to the Borrower under this secured promissory note (this “**Note**”), together with simple interest at an annual rate or rates provided herein, with interest accruing on the principal amount of each Advance from and after the date of such Advance (subject to increase as set forth in Section 2 below). The sum of all Advances plus accrued interest thereon is hereinafter referred to as the “**Note Balance**.” The Borrower further acknowledges that in certain circumstances it may be obligated to pay the Multiplied Balance (as defined below) rather than the Note Balance.

1. Funding.

(a) At any time and from time to time prior to sixty (60) days following the Location Opening Date (as defined below), the Borrower may request advances in addition to the Initial Advance from the Lender (each such additional advance, a “**Working Capital Advance**”), up to a maximum principal amount of \$2,000,000 (the “**Working Capital Ceiling**”). Working Capital Advances shall only be used by the Borrower for the purpose of paying or reimbursing reasonable expenses incurred or to be incurred in connection with the build-out of the Retail Locations (as defined below) by the Loan Parties (as defined below) and other matters directly related to achievement of the conditions precedent to the DOH’s issuance of the Dispensary Permit (as defined below) to the Loan Parties (the “**Working Capital Uses**”), by submitting a written request to the Lender (substantially in the form attached hereto as Schedule I, each, a “**Borrowing Request**”) setting forth (i) the Working Capital Advance requested by the Borrower and (ii) a description of the proposed Working Capital Uses of such funds, in each case not to exceed, in the aggregate, the Working Capital Ceiling. The Lender shall fund each Working Capital Advance for Working Capital Uses within ten (10) business days of the Lender’s receipt of the related Borrowing Request.

(b) In order to provide sufficient working capital for the operation of the Retail Location(s) and in protection of the Collateral used as security for the Note Balance, the Borrower acknowledges its obligation to pursue the Permit Transfer (as defined in the Security Agreement) in accordance with the terms of the Security Agreement. If each of the Permit Transfer and the Location Opening Date occur prior to the Maturity Date, the Borrower may submit a Borrowing Request for, and the Lender shall be obligated to make, an additional one-time advance in an amount not to exceed \$3,000,000 (the “**Setup Advance**”). So long as the foregoing conditions have been satisfied, the Lender shall fund the Setup Advance within ten (10) business days of the Lender’s receipt of the related Borrowing Request. In the event the Permit Transfer does not occur, at any time prior to the Maturity Date the Lender may, but shall not be obligated to, fund all or any portion of the Setup Advance in its sole discretion.

(c) Subject to the occurrence of, and not earlier than ten (10) business days after, the Location Opening Date (provided the Location Opening Date occurs prior to the Maturity Date), the Borrower may request additional advances from the Lender up to a maximum principal amount of \$2,500,000 (each such additional advance, a “**Discretionary Advance**” and, collectively with the Initial Advance, the Working Capital Advances and the Setup Advance, the “**Advances**”), such that the aggregate principal Note Balance after giving effect to all Advances does not exceed \$10,500,000, by submitting a corresponding Borrowing Request to the Lender. The Lender may, but shall not be obligated to, fund any Discretionary Advance in its sole discretion.

(d) Any Borrowing Requests that are not either (i) for Working Capital Uses pursuant to Section 1(a) or (ii) in respect of the Setup Advance pursuant to Section 1(b) (subject to satisfaction of the conditions set forth therein) may be accepted or rejected in the Lender's sole discretion. For the avoidance of doubt, the Lender shall not be obligated to make any Advances upon the occurrence and during the continuance of any Event of Default. For purposes of this Note, (i) "**DOH**" means the Department of Health, Bureau of Medical Marijuana, of the Commonwealth (as defined below), (ii) "**Dispensary Permit**" means a license to open and operate up to three (3) medical marijuana dispensaries in the Commonwealth (collectively, the "**Retail Locations**"), and (iii) "**Location Opening Date**" means the date on which the Dispensary Permit has been issued in accordance with all applicable laws, rules and regulations and at least one (1) Retail Location both (A) is open for business and (B) has made at least one (1) commercial sale.

2. Interest: Multiplied Balance.

(a) Simple interest shall accrue on the outstanding principal balance of each Advance from the date such Advance has been made until paid in full in accordance with the terms of this Note, in the following manner:

- (i) During the period beginning on the date of the Initial Advance through and including the Location Opening Date (the "**First Period**"), at twenty percent (20%);
- (ii) During the six (6)-month period immediately following the First Period (the "**Second Period**"), at thirty percent (30%); and
- (ii) During the period immediately following the Second Period through and including the Maturity Date, at forty percent (40%).

The interest rate shall automatically, and without further action by either the Borrower or the Lender, increase to the lesser of (i) twenty percent (20%) plus the otherwise applicable interest rate as set forth in clause (a) of this Section 2, and (ii) the maximum default interest rate permitted under applicable law (the "**Default Interest Rate**") upon the occurrence of an Event of Default (as defined below) until such time as this Note has been repaid in full; provided, however, that the Default Interest Rate shall not apply upon the occurrence of an Event of Default due to termination of any Related Contract (as defined below) for any reason other than an uncured breach thereof by the Borrower or its affiliates, including, without limitation, NewCo (as defined below). Interest shall be calculated based on a 360-day year of twelve 30-day months.

(b) Upon the occurrence of any Event of Default (i) pursuant to Section 4(a) or any of Sections 4(e)-(j) of this Note, the Borrower shall be obligated to pay the Lender four hundred percent (400%) of the then-current Note Balance and (ii) pursuant to any of Sections 4(b)-(d) of this Note, the Borrower shall be obligated to pay the Lender two hundred percent (200%) of the then-current Note Balance (as applicable, the "**Multiplied Balance**"). Notwithstanding the foregoing, the Multiplied Balance shall not be payable unless and until the Lender has given written notice to the Borrower of such Event of Default and the Borrower has had at least thirty (30) days to cure any curable default; provided that the Borrower shall be limited to one (1) such

notice and cure period per each twelve (12)-month period while this Note remains outstanding, and provided, further, that no such notice and cure period shall be applicable to Events of Default pursuant to any of Sections 4(a)–(d) of this Note. Notwithstanding anything contained in this Note to the contrary, the Multiplied Balance shall not be payable in the case of any Event of Default that (A) is caused by the Lender’s or its affiliate’s actions or inactions in violation of applicable law or in breach of this Note, the Security Agreement (as defined below) or a Related Contract, or (B) arises from the Borrower being unable to obtain the Dispensary Permit despite using its best efforts (but without any attendant obligation to divest non-monetary assets) to do so and its compliance with all applicable laws, rules and regulations.

(c) Taking into account the stated intention of the parties set forth herein, the Lender does not intend to charge, and the Borrower shall not be required to pay, any interest or other fees or charges in excess of the maximum permitted by applicable law; any payments in excess of such maximum shall be refunded to the Borrower or credited to reduce principal hereunder.

3. Payments; Prepayments; No Commitment Fee.

(a) This Note shall be immediately due and payable upon the earlier of (i) the Maturity Date, in which case the Borrower shall pay the Note Balance to the Lender, (ii) the occurrence of an Event of Default other than pursuant to Section 4(k), in which case (subject to the terms and conditions of Section 2(b)) the Borrower shall pay the Multiplied Balance to the Lender and (iii) the occurrence of an Event of Default pursuant to Section 4(k), in which case the Borrower shall pay the Note Balance to the Lender. All cash payments on account of the principal and interest (including, without limitation, in respect of the Multiplied Balance), shall be made in lawful money of the United States of America at the Lender’s address set forth on the signature page hereto, or such other place as the Lender may from time to time designate in writing to the Borrower.

(b) The Borrower shall not be entitled to prepay this Note, in whole or in part, without the Lender’s prior written consent.

(c) The Lender shall not charge a commitment or similar fee to hold open the possibility of future Advances hereunder.

4. Default. Any of the following shall constitute an “**Event of Default**” under this Note:

(a) The dissolution or termination of the business of any Loan Party, or the cessation of any Loan Party’s operations;

(b) Any petition in bankruptcy being filed by or against any Loan Party or any proceedings in bankruptcy, insolvency or under any other laws relating to the relief of debtors, being commenced for the relief or readjustment of any indebtedness of any Loan Party, either through reorganization, composition, extension or otherwise, and which, in the case of any involuntary proceedings shall be acquiesced to by any Loan Party or shall continue for a period of sixty (60) days undismissed, undischarged or unbonded;

- (c) The making by any Loan Party of an assignment for the benefit of its creditors;
 - (d) The appointment of a receiver of any property of any Loan Party which shall not be vacated or removed within ninety (90) days after appointment;
 - (e) Any material breach of a Loan Party of this Note, including, without limitation, the failure of the Borrower to pay the Note Balance when due, or any other contract between or among either Loan Party or any of their respective affiliates, on the one hand, and the Lender or any of its affiliates or designees, on the other hand, including, without limitation, the Security Agreement, the Intercreditor Agreement and any other agreements among any such parties entered into on or after the date hereof (each, a “**Related Contract**”);
 - (f) If any representation or warranty made by the Borrower in this Note or any Related Agreement shall at any time be breached, inaccurate or misleading in any material respect, or if the Borrower or any other Loan Party shall materially fail to keep, observe or perform any of the terms, covenants, representations or warranties contained in this Note or any Related Contract or any other document given in connection with this Note or any Related Contract;
 - (g) If either the (i) permit previously issued to the Borrower by the DOH to function as a grower/processor of cannabis and cannabis products in the Commonwealth (the “**Existing Permit**”) or (ii) Dispensary Permit (once issued) is revoked, canceled, or otherwise impaired by the DOH, unless the same is caused by the Lender’s or its affiliate’s actions or inactions in violation of applicable law or in breach of this Note, the Security Agreement or a Related Contract;
 - (h) If any Loan Party is the subject of an action for eviction from any of the Retail Locations;
 - (i) If any Loan Party permits any action to occur which impairs the Lender’s security interest under the Security Agreement or any Related Contract;
 - (j) The termination of any Related Contract pursuant to the terms thereof; provided, however that neither a termination by the Borrower of any Related Contract due to the Lender’s breach thereof (subject to any notice and cure requirements set forth therein), nor a termination by the Lender of any Related Contract for a reason other than a material breach by the Borrower of such Related Contract, shall constitute an Event of Default under this Note; or
 - (k) The exercise of rights and remedies by the Senior Lenders following an “Event of Default” (as defined in the Senior Credit Agreements (as defined below)) under the terms and conditions of either (i) that certain Secured Note Purchase Agreement, dated as of November 1, 2019, by and among TILT Holdings Inc., a corporation formed under the laws of British Columbia (“**TILT**”), Jimmy Jang, L.P. (“**JJLP**”), Baker, Commonwealth Alternative Care, Inc. (“**CAC**”), Jupiter Research LLC (“**Jupiter**”), the Noteholder Representative and Purchasers identified therein, or (ii) that certain Debt and Security Agreement, dated as of January 28, 2024, by and among TILT, JJLP, Baker, CAC, Jimmy Jang Holdings Inc., JJ Blocker Co., SFNY Holdings, Inc., Sea Hunter Therapeutics, LLC, Standard Farms Ohio LLC, the Borrower, SH Finance Company, LLC, and Jupiter, on the one hand, and Smoore, as lender, on the other hand
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(items (i) and (ii) collectively, as such agreements may be amended, restated, modified, renewed, extended or replaced from time to time, the “**Senior Credit Agreements**”), or any other event of default under any other material third party arrangement of TILT and its consolidated subsidiaries evidencing indebtedness for borrowed money (each, an “**Ancillary Credit Agreement**”).

At any time upon the occurrence of an Event of Default, the entire Note Balance or Multiplied Balance, as applicable pursuant to Section 3(a), shall become immediately due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby expressly waived, and the Lender shall have all rights and remedies for default provided by applicable law.

5. Secured Note. This Note, the Advances evidenced hereby, and the Borrower’s obligations hereunder are secured by a security interest in the “Collateral”, as set forth in that certain Security Agreement, dated as of the date hereof, by and among the Lender, the Borrower, Baker and any joining party thereto (the “**Security Agreement**”).

6. Guaranty. TILT and NewCo (as and if NewCo hereafter becomes party hereto and to the Security Agreement) hereby absolutely, unconditionally and irrevocably guarantee, on a joint and several basis, the full and punctual payment and performance of all present and future obligations, liabilities, covenants and agreements required to be observed and performed or paid or reimbursed by the Borrower under this Note; provided, however, that in the event the Permit Transfer (as defined in the Security Agreement) has occurred then TILT’s obligation with respect to the foregoing guaranty shall be terminated. For the avoidance of doubt, the foregoing guaranty is an unsecured obligation of TILT and will be a secured obligation of NewCo pursuant to the Security Agreement (if applicable).

7. Additional Terms and Conditions. The additional terms and conditions, including representations, warranties and covenants, set forth on Schedule II are incorporated herein by this reference and made a part hereof.

8. Waivers. The Borrower and any endorsers and guarantors of this Note, and all others who may become liable for all or any part of the obligations evidenced by this Note, severally waive presentment for payment, protest, notice of protest, dishonor, notice of dishonor, demand, notice of non-payment, and the benefit of all statutes, ordinances, judicial rulings, and other legal principles of any kind, now or hereafter enacted or in force, affording any right of cure or any right to a stay of execution or extension of time for payment or exempting any property of such person from levy and sale upon execution of any judgment obtained by the holder in respect of this Note.

9. Notices. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified; (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, if not, then on the next business day; or (c) one business day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt and charges paid by sender. Nothing in this Note shall limit or prohibit any other legally permitted method of delivery, and any notice shall be deemed delivered when actually received. All communications shall be sent to the parties at their respective addresses on the signature page

below or at such other address as the Borrower or the Lender may designate by at least (10) days advance written notice to the other parties hereto.

10. Governing Law. This Note shall be governed by and construed in accordance with the internal laws of the State of Delaware without giving effect to the principles of conflicts of laws thereof; provided, however, that the parties acknowledge their respective obligations to comply with the laws of the Commonwealth (including the rules and requirements promulgated by the DOH) only and specifically as related to cannabis matters pertaining to the Dispensary Permit and operation of the Retail Locations. Any disputes arising hereunder shall be brought in the state or federal courts located in the State of Delaware. The parties waive any objections which they may have based on venue or forum non conveniens of any suit brought in the State of Delaware. THE PARTIES KNOWINGLY AND VOLUNTARILY WAIVE JURY TRIAL IN ANY ACTION TO ENFORCE OR INTERPRET, OR OTHERWISE ARISING FROM, THIS NOTE.

11. Costs and Expenses. Each of the Borrower and the Lender agrees to pay its own costs and expenses incurred in connection with the preparation, negotiation, execution and delivery of this Note. The Borrower agrees to pay all costs and expenses, including reasonable fees and expenses of counsel for the Lender, incurred by Lender in connection with the enforcement of its rights under this Note.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, each of the undersigned has caused this Secured Promissory Note to be executed by its duly authorized officer as of the date first above written.

BORROWER:

STANDARD FARMS LLC

By: BAKER TECHNOLOGIES, INC., its sole member

By: /s/ Tim Conder

Name: Tim Conder

Title: President

c/o TILT Holdings Inc.
2801 E. Camelback Rd., Suite 180
Phoenix, AZ 85016
Attention: Legal Department

LENDER:

[***]

Seen and agreed:

TILT Holdings Inc.

By: /s/ Tim Conder

Name: Tim Conder

Title: Chief Executive Officer

Schedule I

Form of Borrowing Request

The undersigned Borrower refers to that certain Secured Promissory Note (as may be amended from time to time, the “**Note**”), dated [], made by the Borrower and payable to the order of [***] (the “**Lender**”). Capitalized terms used but not otherwise defined herein shall have the meanings assigned to such terms in the Note.

Borrower hereby gives the Lender notice pursuant to Section 1 of the Note that Borrower requests an additional Advance under the Note as follows:

1. Date of Request: []
2. Principal Amount Requested: []
3. Type of Borrowing:
 - a. Working Capital Advance: [Y / N]; if yes, attach narrative description of proposed use
 - b. Setup Advance: [Y / N]
 - c. Discretionary Advance: [Y / N]

The Borrower hereby confirms that, through and including the date of this Borrowing Request, the representations and warranties of the Loan Parties set forth on Schedule II of the Note remain true and correct in all material respects and the covenants of the Loan Parties set forth on such Schedule II have been complied with or otherwise waived by the Lender.

STANDARD FARMS LLC

By: _____
Name:
Title:

Accepted by the Lender:

[***]

By: _____
Name:
Title:

Schedule II

Supplemental Terms and Conditions

1. Representations and Warranties of the Borrower. The Borrower hereby represents and warrants to the Lender as follows:

1.1 Organization, Good Standing and Qualification. The Borrower is a limited liability company duly organized, validly existing and in good standing under the laws of the Commonwealth of Pennsylvania (the “**Commonwealth**”). The Borrower has the requisite limited liability company power to own and operate its properties and assets and to carry on the business of the Loan Parties as now conducted and as proposed to be conducted. The Borrower is duly qualified and is authorized to do business and is in good standing as a foreign corporation in all jurisdictions in which the nature of its activities and of its properties (both owned and leased) makes such qualification necessary, except for those jurisdictions in which failure to do so would not have a material adverse effect on the business, operations, prospects, condition (financial or otherwise) or assets, including, without limitation, the Cannabis Licenses (as defined below), of the Loan Parties (a “**Material Adverse Effect**”).

1.2 Power and Authority. The Borrower has all requisite limited liability company power and authority to execute and deliver this Note and to carry out and perform its obligations hereunder. All limited liability company action on the part of the Borrower, its members and its manager necessary for the authorization of this Note, the execution and delivery of this Note by the Borrower, and the performance of all obligations of the Borrower under this Note has been taken. This Note, when executed and delivered by the Borrower, shall constitute valid and binding obligations of the Borrower enforceable against the Borrower in accordance with their terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other laws of general application affecting enforcement of creditors’ rights, and by general principles of equity that restrict the availability of equitable remedies.

1.3 Governmental Consents. Except with respect to notices to and approvals by governmental authorities, all consents, approvals, orders, or authorizations of, or registrations, qualifications, designations, declarations, or filings with, any governmental authority, required on the part of the Borrower in connection with the valid execution and delivery of this Note and the use of the proceeds hereof by the Borrower shall have been obtained and will be effective at such time as required by such governmental authority and applicable law.

1.4 Subsidiaries. As of the date hereof, the Borrower has no subsidiaries (except for NewCo, as and if formed).

1.5 Compliance with Laws; Permits. Excluding federal law with respect to cannabis, neither the Borrower nor TILT is in material violation of any applicable statute, rule, regulation, order or restriction of any domestic government or any instrumentality or agency thereof in respect of the conduct of their respective businesses or the ownership of their respective properties, which violation would materially and adversely affect the business, assets, liabilities, financial condition or operations of the Loan Parties; provided that deductions or credits on tax returns and

forms of the Borrower and its members made in good faith in reliance on the advice of tax professionals shall not be deemed to be a violation or breach of this Section 1.5. There are no actions pending or threatened against the Borrower or TILT that affect the Existing Permit or the Dispensary Permit. Subject to receipt of the Dispensary Permit, the Borrower (or NewCo, as and when formed) possesses all permits necessary to operate the business of the Loan Parties as presently conducted and proposed to be conducted.

1.6 Compliance with Other Instruments. The Borrower is not in violation or default of any term of its certificate of formation or LLC Agreement, or of any material provision of any mortgage, indenture or contract to which it is a party and by which it is bound, or of any judgment, decree, order or writ, other than such violations that would not individually or in the aggregate have a Material Adverse Effect. The execution, delivery and performance of this Note, and the consummation of the transactions contemplated by this Note, will not result in any such violation or be in conflict with, or constitute, with or without the passage of time and giving of notice, either a default under any such document, provision, instrument, judgment, decree, order or writ or an event that results in the creation of any lien, charge or encumbrance (other than the liens created by this Note) upon any assets of the Borrower or the suspension, revocation, impairment, forfeiture, or non-renewal of any material permit, license, authorization or approval applicable to the Borrower, its business or operations or any of its assets or properties. The sale of this Note is not and will not be subject to any preemptive rights or rights of first refusal that have not been properly waived or complied with.

1.7 Litigation. There are no claims, actions, suits, proceedings or investigations pending or, to the Borrower's knowledge, threatened in writing, against the Borrower or TILT at law or in equity in any court or before any other governmental authority, which if determined adversely to the Borrower or TILT, as applicable, or their respective affiliates, would result in a Material Adverse Effect. There are no outstanding governmental orders against, relating to, or affecting either Borrower or TILT or any of their respective properties or assets, or any of the NewCo's properties or assets (as and if formed), which would have a Material Adverse Effect.

1.8 Tax Matters. The Loan Parties have timely filed all required tax returns in connection with and in respect of the business of the Loan Parties with the appropriate governmental authority in all jurisdictions in which such tax returns are required to be filed, and timely paid and discharged all federal, state, local, non-US and other income, gross receipts, sales, value added or other taxes, fees, assessments or charges of any kind whatsoever (collectively, "**Taxes**") due and payable (whether or not shown or required to be shown on any tax return). All such tax returns are true, correct and complete in all respects. There are no pending or threatened claims, assessments, notices, deficiencies or audits with respect to any Taxes owed or allegedly owed by the Loan Parties or with respect to the business of the Loan Parties. There are no encumbrances for Taxes upon, or pending or threatened against, any assets of the Loan Parties, other than those which constitute Permitted Encumbrances (as defined below).

1.9 Solvency. TILT and its consolidated subsidiaries collectively, and the Borrower individually, are solvent. Other than as described in TILT's public filings, TILT is in material compliance with its Senior Credit Agreements and all Ancillary Credit Agreements.

1.10 Cannabis Matters. The Borrower, TILT, their respective members, as applicable, and their respective employees with material involvement in the operations of the Loan Parties (including, without limitation, any employees with responsibility for dispensing cannabis products, each an “**Operating Employee**”) is in compliance with all licensing requirements established by the applicable governmental authority with respect to the Existing Permit, the Dispensary Permit and any corresponding permits. No director, manager, officer or Operating Employee of the Borrower or TILT, nor any director, manager or officer of any member of the Borrower or TILT, as applicable, has:

(a) any (i) felony conviction for a violent crime, (ii) felony conviction for a crime involving fraud, deceit or embezzlement, (iii) felony conviction for hiring, firing or using a minor in transporting, carrying, selling, giving away, preparing for sale or peddling any controlled substance to a minor, or offering, furnishing or selling any controlled substance to a minor, (iv) felony conviction for drug trafficking or (v) plea of guilty or conviction following a plea of nolo contendere with respect to any of the foregoing, in each case in the Commonwealth or any other jurisdiction;

(b) committed any violation of law, including, without limitation, any Cannabis Law, that resulting in suspension or revocation of a license, administrative penalty, citation, civil proceeding or criminal conviction;

(c) received any fines or penalties for the production or cultivation of a controlled substance on public or private land;

(d) committed any act that would result in the denial, revocation, or suspension of a license, permit, registration or other consent or approval to conduct commercial cannabis activity;

(e) been sanctioned by any licensing authority, city or county for any unlicensed commercial cannabis activity;

(d) had any license, permit, registration or other consent or approval to conduct commercial cannabis activity suspended or revoked by any licensing authority or local jurisdiction, or has had any application for a license, permit, registration or other consent or approval to conduct commercial cannabis activity denied;

(e) been, or is, employed by any agency in the Commonwealth or any of its political subdivisions in any position that involves the enforcement of laws related to cannabis, including, without limitation, the Cannabis Laws, or that involves the enforcement of any of the penal provisions of law of the Commonwealth prohibiting or regulating the sale, use, possession, transportation, distribution, testing, manufacturing, or cultivation of cannabis or cannabis products, including but not limited to, employment as a peace officer, or employment in any district attorney’s office, in any city attorney’s office, in any sheriff’s office, or in any local police department; and/or

(f) been determined by a court or governmental agency or tribunal to have engaged in any attempt to obtain a registration, license, or approval to operate a cannabis business in any state or locality by fraud, misrepresentation, or the submission of false information.

1.11 Full Disclosure. To the knowledge of the Borrower, no representation or warranty by the Borrower in this Note, or in any public filing made by or on behalf of TILT, contains any untrue statement of a material fact, or omits to state a material fact necessary to make the statements contained therein, in light of the circumstances in which they are made, not misleading.

2. Representations and Warranties of the Lender. The Lender hereby represents and warrants to the Borrower as of the date hereof as follows:

2.1 Requisite Power and Authority. The Lender is duly organized or incorporated and validly existing under the laws of the jurisdiction of its organization or incorporation and has full partnership, corporate, or other power and authority under its governing instruments and such laws to conduct its business as now conducted and to execute and deliver this Note. All action on the part of the Lender necessary for the authorization, execution, delivery, and performance of all obligations of the Lender under this Note has been taken prior to or on the date hereof. Upon the execution and delivery by the Lender, this Note shall be valid and binding obligations of the Lender, enforceable against it in accordance with its terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium, or other laws of general application affecting enforcement of creditors' rights, and by general principles of equity that restrict the availability of equitable remedies.

2.2 Purchase for Own Account. The Lender (a) is acquiring this Note solely for the Lender's own account and beneficial interest for investment only and not for sale or with a view to distribution of this Note or any part hereof; (b) has no present intention of selling (in connection with a distribution or otherwise), granting any participation in, or otherwise distributing the same; and (c) does not presently have reason to anticipate a change in such intention.

2.3 Ability to Bear Economic Risk. The Lender acknowledges that investment in this Note involves a high degree of risk, and represents that the Lender is able, without materially impairing the Lender's financial condition, to hold this Note for an indefinite period of time and to suffer a complete loss of the Lender's investment.

2.4 Accredited Investor Status; No Disqualification. The Lender is an "accredited investor" as such term is defined in Rule 501 under the Act. Neither the Lender, nor any of the Lender's officers, directors, employees, agents, stockholders or partners, has either directly or indirectly, including through a broker or finder, (a) engaged in any general solicitation; or (b) published any advertisement in connection with the offer and sale of this Note. Neither the Lender nor any entity that controls or is under the control of, or under common control with, the Lender, is subject to any of the "bad actor" disqualifications described in Rule 506(d)(1)(i) through (viii), as modified by Rules 506(d)(2) and (d)(3), under the Act.

3. Use of Proceeds. The Borrower shall use the proceeds from each Working Capital Advance made under this Note exclusively for the purpose(s) set forth in the applicable Borrowing

Request. Any other uses of proceeds of a Working Capital Advance shall be subject to prior written approval of the Lender in its sole discretion.

4. [***]

5. Further Agreements.

5.1 Issuance of Dispensary Permit and Formation of NewCo. In order to further protect the Collateral used as security for the Note Balance by ensuring separation of the Collateral from the other assets of the Borrower, the Borrower hereby covenants and agrees to seek approval from the DOH, at the earliest allowable opportunity, to form a wholly-owned subsidiary (“NewCo”) and transfer the Dispensary Permit to NewCo on the terms and subject to the conditions set forth in the Security Agreement. For purposes of this Note, the Borrower and NewCo (as and if formed) shall be referred to together as the “**Loan Parties**” and each, as a “**Loan Party**”.

5.2 Access to Books and Records. The Borrower shall, and shall cause NewCo to, as applicable, (a) afford the Lender and its representatives full and free access to and the right to inspect all of the real property, properties, assets, premises, books and records, contracts and other documents and data of NewCo, or of the Borrower as it pertains to the Retail Locations; (b) furnish the Lender and its representatives with such financial, operating and other data and information of NewCo, or of the Borrower as it pertains to the Retail Locations, as the Lender or any of its representatives may reasonably request and (c) instruct the representative of the Loan Parties to cooperate with the Lender with respect to the foregoing, provided that any such access shall be granted during normal business hours upon reasonable advance notice to the applicable Loan Party and in such a manner as not to interfere with the normal operations of the applicable Loan Party.

5.3 Collateral. Each of the Loan Parties hereby agrees that, subject to the Intercreditor Agreements, the encumbrances created by the Security Agreement do and shall constitute fully perfected first-priority encumbrances on, and security interests in (to the extent intended to be created thereby), all right, title and interest of the grantors in such Collateral, subject only to (a) liens in favor of the Borrower, (b) liens for taxes, assessments or other governmental charges not delinquent or being contested in good faith by appropriate proceedings diligently conducted which stay the enforcement of any lien and for which adequate reserves are being maintained by the Borrower; (c) deposits or pledges to secure obligations under worker’s compensation, social security or similar laws, or under unemployment insurance; (d) deposits or pledges to secure bids, tenders, contracts (other than contracts for the payment of money), leases, statutory obligations, surety and appeal bonds and other obligations of like nature arising in the ordinary course of business; (e) liens arising by virtue of the rendition, entry or issuance against the Borrower, or any property of the Borrower, of any judgment, writ, order or decree, provided that such liens are in existence for less than twenty (20) consecutive days after it first arises or are being contested in good faith by appropriate proceedings diligently conducted which stay the enforcement of any lien and for which adequate reserves are being maintained by the Borrower; (f) mechanics’, workers’, materialmen’s or other like liens arising in the ordinary course of business with respect to obligations which are not due or which are being contested in good faith by appropriate proceedings diligently conducted which stay the enforcement of any lien; (g) liens in favor of third-

party financing sources placed upon equipment or real estate hereafter acquired or leased to secure a portion of the purchase price or lease thereof, provided that such financing arrangements are subject to arm's length and market terms and conditions and may be prepaid at any time in accordance with its terms; (h) non-exclusive licenses of intellectual property, and leases or subleases of equipment or real property, in each case granted in the ordinary course of business and which do not interfere in any material respect with the operations of the business of the Loan Parties and (i) "Permitted Liens" as such term is defined in the Senior Credit Agreements (collectively, "**Permitted Encumbrances**").

5.4 Additional Collateral. The Borrower covenants that for so long as this Note remains outstanding:

(a) If any asset that has an individual fair market value (as determined in good faith by the Borrower) in an amount greater than \$250,000 is acquired by NewCo other than assets constituting Collateral that becomes subject to the encumbrances granted hereunder upon acquisition thereof, the Borrower will (i) as promptly as practicable notify the Lender thereof and (ii) take or cause the person to take such actions as shall be reasonably requested by the Lender to grant and perfect encumbrances in favor of the Lender to secure the Borrower's obligations under this Note (subject to Permitted Encumbrances), all at the expense of the Borrower.

(b) The Borrower shall furnish, or cause NewCo to furnish, as applicable, to the Lender promptly (and in any event no later than thirty (30) days prior to such change), written notice of any change (i) in the Loan Parties' corporate or organization name, (ii) in the Loan Parties' organizational identification number, or (iii) in the Loan Parties' jurisdiction of organization; provided that the Borrower and NewCo shall not effect or permit any such change unless all filings have been made, or will have been made within any statutory period, under the Uniform Commercial Code (UCC) or otherwise that are required in order for the Lender to continue at all times following such change to have a valid, legal and perfected security interest in all the Collateral with the same priority as prior to such change (it being understood that, subject to the foregoing, the Borrower and NewCo may each change the name under which it conducts its business or its corporate name, trade name, trademarks, brand name or other public identifiers).

5.5 Notices. The Borrower covenants that for so long as this Note remains outstanding, the Borrower shall promptly notify the Lender, or cause NewCo to notify the Lender, as applicable, of any of the following (and in no event later than three (3) business days after an officer of the applicable Loan Party becoming aware thereof):

(a) the occurrence or existence of any Event of Default;

(b) any breach or non-performance of, or any default under, any contractual obligation of the Loan Parties, or any violation of, or non-compliance with, any law, rule or regulation (other than Cannabis Laws (as defined below)), which, in either case, could reasonably be expected to result, either individually or in the aggregate, in a Material Adverse Effect;

(c) any material breach or non-performance of, or any default under, any material contract of the Loan Parties, or any violation of, or non-compliance with, any laws of the Commonwealth relating to the manufacture, production, distribution, acquisitions, possession, transfer, transport, sale, distribution, or dispensing of medical cannabis and cannabis-infused products in the Commonwealth, and any applicable local ordinances, rules or regulations, bulletins and guidance relating to cannabis, including, but not limited to, the rules and regulations promulgated from time to time by the DOH or other applicable governmental authority (collectively, the “**Cannabis Laws**”);

(d) any claim, dispute, litigation, investigation, audit, proceeding or suspension known to exist by senior executives of the Loan Parties at any time between the Loan Parties and any governmental body (other than any governmental body with jurisdiction over any Cannabis Laws) which could, if adversely determined, reasonably be expected to result, either individually or in the aggregate, in a Material Adverse Effect;

(e) any material claim, dispute, litigation, investigation, audit, proceeding or suspension known to exist by senior executives of the Borrower or NewCo at any time between the Loan Parties and any governmental body with jurisdiction over any Cannabis Laws;

(f) any material event or development which could reasonably be expected to lead to the permanent suspension or revocation of the licenses held, or to be acquired, by the Loan Parties with respect to the growing, processing and/or dispensing of cannabis in the Commonwealth, including, without limitation, the Dispensary Permit (collectively, the “**Cannabis Licenses**”), or any fine or penalty levied against any such Person which could reasonably be expected to materially and adversely affect any of the Cannabis Licenses;

(g) the commencement of, or any material adverse development in, any litigation or proceeding affecting the Loan Parties (i) in which the amount of damages claimed is \$100,000 or more, (ii) in which injunctive or similar relief is sought and which could reasonably be expected to have a Material Adverse Effect, or (iii) in which the relief sought is an injunction or other stay of the performance of this Note;

(h) any Material Adverse Effect subsequent to the date of this Note;

(i) any material change in accounting policies or financial reporting practices by the Loan Parties;

(j) the creation, establishment or acquisition of any direct or indirect subsidiary of the Loan Parties and the DOH’s commensurate approval; and

(k) any other development specific to the Loan Parties that is not a matter of general public knowledge and that has had, or could reasonably be expected to have, a Material Adverse Effect.

Each notice pursuant to this Section shall be accompanied by a written statement by an officer of the applicable Loan Party setting forth details of the occurrence referred to therein, and stating what action the applicable Loan Party proposes to take with respect thereto and at what time. Each

notice of an Event of Default shall describe with particularity any and all clauses or provisions of this Note that have been breached or violated.

5.6 Negative Covenants. The Borrower covenants that for so long as this Note remains outstanding:

(a) Amendment to Organizational Documents. The Borrower shall not, and shall not permit or cause NewCo to, amend any organizational or other governance document of the Borrower or NewCo, respectively, in each case without the Lender's prior written consent.

(b) Debt; Encumbrances. Except for (i) this Note and (ii) indebtedness secured by Permitted Encumbrances, the Borrower shall not (A) incur any indebtedness creating any lien or encumbrance on the Collateral or the Dispensary Permit, or grant any encumbrances (or permit any encumbrances to be granted) on any of the Collateral or the Dispensary Permit, other than Permitted Encumbrances, or (B) permit or cause NewCo to incur any indebtedness or grant any encumbrances (or permit any encumbrances to be granted), on any of the assets of NewCo, including, without limitation, the Dispensary Permit (as and if transferred to NewCo) other than Permitted Encumbrances.

(c) Dispositions. The Borrower shall not, and shall not permit or cause NewCo to, sell, assign, license, lease, convey, transfer or otherwise dispose of (whether in one or a series of transactions) (i) any property or assets of the Loan Parties that constitute Collateral (as defined in the Security Agreement), other than in the ordinary course of business, or (ii) the Dispensary Permit.

(d) Distributions. Except for tax distributions, the Borrower shall not, and shall not permit or cause NewCo to, make any distributions or dividends in respect of limited liability company interests or any other equity interests of the applicable Loan Party of (i) any cash generated from the Collateral or the operation of the Retail Locations or (ii) any loan proceeds from the Working Capital Advance.

(e) Affiliate Transactions. The Borrower shall not, and shall not permit or cause NewCo to, enter into any transaction or series of transactions that relate to the Collateral or the operation of the Retail Locations with, or pay any compensation or other amounts that are derived from the Collateral or the operation of the Retail Locations to, any affiliate of the Borrower, NewCo or TILT, as applicable, except pursuant to terms no less favorable to the Borrower or NewCo, as applicable, than would be obtained in a comparable arm's length transaction with a person not an affiliate of the Borrower, NewCo or TILT, provided the Borrower or NewCo, as applicable, notifies the Lender of such transaction.

(f) Operation of NewCo. The Borrower shall not permit or cause NewCo to conduct any business or incur any liabilities other than in respect of the operation of the Retail Locations, which operation shall remain controlled by the Borrower and NewCo.

(g) Cannabis Licenses. The Borrower shall not, and shall not permit NewCo to, take any action (or omit to take any action) that would compromise the Existing Permit, the Loan

Parties' ability to receive, maintain and operate the Dispensary Permit as and if permitted by Cannabis Laws and other rules and regulations promulgated by the DOH.

5.7 Public Announcements. Unless required by applicable law or securities exchange requirements (based upon the reasonable advice of counsel), neither the Loan Parties nor any of their respective affiliates shall make any public announcements, including, without limitation, through any public filings, in respect of this Note, the Security Agreement, or the transactions contemplated hereby or thereby, or otherwise communicate with any news media, in each case without the prior written consent of the Lender. Where such an announcement is required by law or securities exchange requirements, the Loan Parties will provide the Lender with a copy of the proposed announcement and the Lender shall have at least two (2) business days to comment on such announcement prior to its publication (including, without limitation, pursuing redactions as may be allowable under applicable law or securities exchange requirements).

* * * * *

CONSENT, COLLATERAL RELEASE, AND SUBORDINATION AGREEMENT

This CONSENT, COLLATERAL RELEASE AND SUBORDINATION AGREEMENT, dated as of May 2, 2024 (this “**Agreement**”), is entered into by and among JORDAN GEOTAS, acting on behalf of himself, and on behalf of the Noteholders (as defined below) (in such capacity, “**Noteholder Representative**”), SHENZHEN SMOORE TECHNOLOGY LIMITED, a company organized and existing under the laws of Peoples’ Republic of China and any of its affiliates joined hereto (collectively, “**Smooore**”, and together with Noteholder Representative, each individually an “**Existing Creditor**”, and collectively, the “**Existing Creditors**”), [***] (“**New Lender**”), Baker Technologies, Inc., a Delaware corporation (“**Baker**”), and Standard Farms LLC, a Pennsylvania limited liability company (“**Borrower**”). Each of the Existing Creditors, New Lender, Baker and Borrower may be referred to individually herein as a “**Party**” and collectively as the “**Parties**”.

RECITALS

A. Smooore has made and may make loans from time to time to TILT Holdings Inc., a corporation formed under the laws of British Columbia (“**TILT**”), and TILT’s direct and indirect subsidiaries Jimmy Jang, L.P., a Delaware limited partnership (“**JJLP**”), Baker, Commonwealth Alternative Care, Inc., a Massachusetts corporation (“**CAC**”), Jimmy Jang Holdings Inc., a British Columbia corporation (“**JJH**”), JJ Blocker Co., a Delaware corporation (“**JJB**”), SFNY Holdings, Inc., a Delaware corporation (“**SFNY**”), Sea Hunter Therapeutics, LLC, a Delaware limited liability company (“**SEA**”), Standard Farms Ohio LLC, an Ohio limited liability company (“**SF Ohio**”), Borrower, SH Finance Company, LLC, a Delaware limited liability company (“**SF Finance**”), and Jupiter Research, LLC, an Arizona limited liability company (“**Jupiter**” and, collectively with TILT, JJLP, Baker, CAC, JJH, JJB, SFNY, SEA, SF Ohio, Borrower and SF Finance, each individually an “**Obligor**”, and collectively, the “**Obligors**”), pursuant to a Debt and Security Agreement, dated as of January 28, 2024 (as amended, restated, modified, renewed, extended, or replaced from time to time, the “**Debt and Security Agreement**”), which loans are secured by liens and security interests in the assets of Obligors;

B. The Noteholders (defined below) have made loans to TILT pursuant to the Secured Note Purchase Agreement dated as of November 1, 2019 (as amended, restated, supplemented, or otherwise modified from time to time, the “**Note Purchase Agreement**”), among TILT, JJLP, Baker, CAC, Jupiter, Noteholder Representative and the Persons identified as the Purchasers therein (each individually, a “**Noteholder**”) which loans are secured by liens and security interests in the assets of Obligors;

C. The Debt and Security Agreement and the Note Purchase Agreement contain restrictions on an Obligor’s ability to incur additional indebtedness;

D. New Lender now wishes to make, and Borrower wishes to accept, up to \$10,500,000 in new loans (the “**New Loans**”) pursuant to a Secured Promissory Note and a Security Agreement of even date, in substantially the form of Exhibits A and B (together with all other documents and instruments evidencing, securing or pertaining to any portion of the New Loan Indebtedness, as amended, restated, supplemented, or otherwise modified from time to time the “**New Loan Documents**”);

E. Pursuant to the New Loan Documents, Borrower is granting to New Lender a security interest in the “Collateral” described therein (other than the PA Equity (as defined below), the “**New Loan Collateral**”), and Baker is granting to Lender a security interest in Baker’s 100% membership interest in Borrower (the “**PA Equity**”), in each case to secure Borrower’s obligations under the New Loan Documents; and

F. Each Existing Creditor acknowledges that it will receive substantial benefit if Borrower receives the proceeds of the New Loan. Accordingly, the Parties have agreed to enter into this Agreement to evidence the Existing Creditors’ acknowledgement and consent to the New Loan and New Loan Documents and the release by the Existing Creditors of their security interests in the New Loan Collateral and the subordination by the New Lender of its security interest in the PA Equity to the Existing Creditors’ security interests therein.

NOW, THEREFORE, in consideration of the mutual promises, covenants, conditions, representations, and warranties set forth herein and for other good and valuable consideration, the parties hereto agree as follows:

1. Defined Terms. As used in this Agreement (including the foregoing preamble and Recitals), the following terms shall have the meanings specified below:

“**Bankruptcy Code**” means the Bankruptcy Code in Title 11 of the United States Code, as amended, modified, succeeded, or replaced from time to time.

“**Business Day**” means any day that is not a Saturday, Sunday, or other day on which commercial banks in New York are authorized or required by law to remain closed.

“**Collateral**” means any and all property and interests in property that secures all or a portion of the Indebtedness.

“**Creditor**” means any of New Lender and the Existing Creditors.

“**Documents**” means, collectively, the New Loan Documents, the Noteholder Documents and the Smoore Documents.

“**Enforcement Action**” means (a) to take from or for the account of any Obligor by setoff or in any other manner, the whole or any part of any moneys which may now or hereafter be owing by any Obligor with respect to Indebtedness, (b) to sue any Obligor for payment of, or to initiate or participate with others in any suit, action or proceeding against any Obligor to (i) enforce payment or performance of or to collect the whole or any part of any of the Indebtedness or (ii) commence judicial enforcement against any Obligor of any of the rights and remedies under the applicable Documents or applicable law with respect to the applicable Indebtedness, including, without limitation, the commencement of (or joining in) a Proceeding, (c) to exercise any put option to any Obligor or to cause any Obligor to honor any redemption or mandatory prepayment obligation under any Document, (d) to notify account debtors or directly collect accounts in respect of any of the Indebtedness, (e) to take any action under the provisions of any state or federal law, including, without limitation, the UCC, or under any contract or agreement, to enforce, foreclose upon, take possession of or sell any Collateral, or (f) to exercise in any other manner any remedies (including enforcing any security interest) against any Obligor with respect to any of the

Indebtedness set forth in any applicable Document or that otherwise might be available at law, in equity, pursuant to judicial proceeding or otherwise in respect of the applicable Indebtedness; provided, however, that the term Enforcement Action shall not include (w) any suit or action initiated or maintained by a Creditor within thirty (30) days of the expiration of, and solely to the extent such suit or action is necessary to prevent the expiration of, any applicable statute of limitations or similar permanent restriction on claims (provided that no payment on the applicable Indebtedness or money damages are received or retained in connection therewith), (x) upon the occurrence and during the continuation of an event of default with respect to any Indebtedness, accruing any increased interest with respect to such Indebtedness as a result of such event of default, or (y) the filing of any notice in a Proceeding not in violation of this Agreement.

“**Existing Creditor Default Notice**” means a notice of default or event of default under the Existing Creditor Loan Documents, such notice to be sent in accordance with **Section 18** hereof to each of the Parties.

“**Existing Creditor Indebtedness**” means the Noteholder Indebtedness and the Smoore Indebtedness.

“**Existing Creditor Loan Documents**” means the Noteholder Documents and the Smoore Documents.

“**Existing Intercreditor Agreements**” means (a) that certain Amended and Restated Subordination and Intercreditor Agreement, dated as of March 13, 2023, by and among TILT, Jupiter, Entrepreneur Growth Capital LLC (“**EGC**”), and Noteholder Representative (as the same may be amended, restated, amended and restated, or otherwise modified from time to time) and (b) that certain Subordination and Intercreditor Agreement, dated as of January 28, 2024, by and among the Obligors, EGC, Noteholder Representative and Smoore (as the same may be amended, restated, amended and restated, or otherwise modified from time to time).

“**Indebtedness**” means, collectively, the New Loan Indebtedness, the Noteholder Indebtedness and the Smoore Indebtedness.

“**Lien**” means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, option, levy, execution, attachment, garnishment, hypothecation, assignment for security, deposit arrangement, encumbrance, charge, security interest, or other preferential arrangement in the nature of a security interest of any kind or nature whatsoever, on or of such asset, and (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease, or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset.

“**New Loan Indebtedness**” means the Obligations (as defined in the New Loan Documents) in an aggregate principal amount not to exceed \$10,500,000 and all other amounts and other obligations and liabilities now or hereafter owed by Borrower to New Lender pursuant to the New Loan Documents, whether before or after the commencement of a Proceeding and without regard to whether or not an allowed claim, together with any amendments, restatements, modifications, renewals, increases or extensions of any thereof permitted hereunder.

“**Noteholder Documents**” means the Note Purchase Agreement and all other documents and instruments evidencing, securing or pertaining to any portion of the Noteholder Indebtedness, as amended, restated, supplemented, or otherwise modified from time to time.

“**Noteholder Indebtedness**” means the Obligations (as defined in the Note Purchase Agreement) and other obligations and liabilities now or hereafter owed to any of the Noteholders pursuant to the Noteholder Documents, whether before or after the commencement of a Proceeding and without regard to whether or not an allowed claim, and all obligations and liabilities incurred with respect to Permitted Refinancings, together with any amendments, restatements, modifications, renewals, increases or extensions of any thereof permitted hereunder.

“**Paid in Full**” or “**Payment in Full**” means as respects the applicable Indebtedness, the payment in full in cash of such Indebtedness other than inchoate obligations for which no claim has been made and the termination of all obligations on the part of any Creditor to advance funds with respect thereto.

“**Permitted Refinancing**” means any refinancing of the applicable Indebtedness pursuant to Permitted Refinancing Loan Documents.

“**Permitted Refinancing Loan Documents**” means, with respect to any Indebtedness, any financing documentation which replaces the documentation relating to such Indebtedness, and pursuant to which such Indebtedness is refinanced (in each case in accordance with then applicable Documents or Permitted Refinancing Loan Documents, as the case may be), as such financing documentation may be amended, restated, supplemented, or otherwise modified from time to time.

“**Person**” means an individual, partnership, corporation, limited liability company, business trust, joint stock company, trust, unincorporated association or joint venture.

“**Proceeding**” means any voluntary or involuntary insolvency, bankruptcy, receivership, custodianship, liquidation, dissolution, reorganization, assignment for the benefit of creditors or other proceeding for the liquidation, dissolution or other winding up of any Obligor or any of their respective subsidiaries or any of their respective properties.

“**Smoore Documents**” means the Smoore Guaranty, the Debt and Security Agreement and all other documents and instruments evidencing, securing or pertaining to any portion of the Smoore Indebtedness, as amended, restated, supplemented, or otherwise modified from time to time as permitted hereunder.

“**Smoore Guaranty**” means that certain Guaranty dated as of the date hereof, by TILT, JLP, Baker, CAC, JJH, JJB, SFNY, SEA, Standard Farms, SF Ohio, Borrower, and SF Finance, in favor of Smoore.

“**Smoore Indebtedness**” means the Secured Obligations, as defined under the Debt and Security Agreement.

“**UCC**” means Article 1 or Article 9 of the Uniform Commercial Code in effect from time to time in the State of New York.

2. Consent to New Loan and Liens. Each Existing Creditor hereby acknowledges and consents to the Liens and encumbrances contemplated under the New Loan Documents and the creation and existence of the New Loans, notwithstanding any restriction on Liens, security interests and other encumbrances (i.e. any negative pledge) with respect to the New Loan Collateral or the creation or existence of Indebtedness which may be contained in the Noteholder Documents or the Smoore Loan Documents or any Existing Intercreditor Agreement. Borrower may develop, own, operate and dispose of the New Loan Collateral, the Retail Locations (as defined in the New Loan Documents) and the Dispensary Permit (as defined in the New Loan Documents) as required or permitted in the New Loan Documents, notwithstanding any contrary provision of the Existing Creditor Documents, including, without limitation, by entering into management and advisory agreements for the development and operation of the New Loan Collateral, the Retail Locations and the Dispensary Permit with affiliates of Lender with experience and expertise in the Pennsylvania retail cannabis market.

3. Release of Security Interest in New Loan Collateral. Each Existing Creditor hereby releases its Liens in the New Loan Collateral and agrees not to assert any Liens against the Retail Locations or the Dispensary Permit. Each Existing Creditor (i) shall promptly execute and/or deliver to New Lender such UCC financing statement amendments or other documents as New Lender shall reasonably request to evidence or give notice of the release of the Existing Creditors' Liens in the New Loan Collateral, the Retail Locations and the Dispensary Permit, as applicable, and (ii) shall be deemed to have authorized New Lender to file any and all UCC financing statement amendments to evidence or give notice of the of the release of the Existing Creditors' Liens in the New Loan Collateral, the Retail Locations and the Dispensary Permit, as applicable, as and if required by New Lender in respect of such Liens. In furtherance of the foregoing, each Existing Creditor hereby irrevocably appoints New Lender its attorney-in-fact, with full authority in the place and stead of such Existing Creditor and in the name of such Existing Creditor or otherwise, to execute and deliver any document or instrument which such Existing Creditor may be required to deliver pursuant to this **Section 3**.

4. Subordination of New Lender Liens in PA Equity. Regardless of the time, manner, or order of perfection and notwithstanding any provision of the UCC or any other applicable law or the Documents or any defect or deficiencies in, or failure to perfect or lapse in perfection of, or avoidance as a fraudulent conveyance or otherwise of, the Liens securing the indebtedness of any Obligor owing to any Existing Creditor or New Lender, the subordination of such Liens to any other Liens, or any other circumstance whatsoever, whether or not any Proceeding has been commenced by or against any Obligor, New Lender hereby agrees that any Lien on the PA Equity now or hereafter held by or on behalf of New Lender, or any agent or trustee therefor regardless of how acquired, whether by grant, possession, statute, operation of law, subrogation or otherwise, shall be junior and subordinate in all respects to all Liens on the PA Equity securing the Existing Creditor Indebtedness. New Lender (i) shall promptly execute and/or deliver to an Existing Creditor such UCC financing statement amendments or other documents as that Existing Creditor shall reasonably request to evidence or give notice of the priority of that Existing Creditor's Liens in the PA Equity and (ii) shall be deemed to have authorized that Existing Creditor to file any and all UCC financing statement amendments to evidence or give notice of the priority of the Existing Creditor's Liens in the PA Equity as and if required by the Existing Creditor in respect of such Liens. In furtherance of the foregoing, New Lender hereby irrevocably appoints each Existing Creditor its attorney-in-fact, with full authority in the place and stead of New Lender

and in the name of New Lender or otherwise, to execute and deliver any document or instrument which New Lender may be required to deliver pursuant to this **Section 4**.

5. Proceedings and Enforcement Actions.

(a) From and after delivery to New Lender of an Existing Creditor Default Notice (but only so long as the Event of Default giving rise to such Existing Creditor Default Notice has not been waived or cured), any payment (whether made in cash, securities or other property) received by New Lender which, but for the terms hereof, otherwise would be payable or deliverable out of, from the proceeds of, in lieu of, or in respect of the PA Equity, shall be paid or delivered directly first, to Smoore until the Smoore Indebtedness is satisfied and then to the Noteholder Representative until the Noteholder Indebtedness is satisfied (to be held and/or applied by the Existing Creditors to the repayment of any and all then outstanding Existing Creditor Indebtedness in accordance with the terms of the Existing Creditor Loan Documents until all Existing Creditor Indebtedness is Paid in Full), and New Lender irrevocably authorizes, empowers and directs all debtors, debtors-in-possession, receivers, trustees, liquidators, custodians, conservators and others having authority in the premises to effect all such payments and deliveries, and, subject to the provisions hereof, New Lender also irrevocably authorizes, empowers and directs each Existing Creditor to demand, sue for, collect and receive every such payment or distribution.

(b) New Lender agrees to execute and deliver to each other Creditor or its representative all such further instruments confirming the authorization referred to in the foregoing clause (a).

(c) In the event of a Proceeding, the provisions of this Agreement shall continue to govern the relative rights and priorities of Creditors in the PA Equity even if all or part of the Liens securing the Existing Creditor Indebtedness are subordinated, set aside, avoided or disallowed in connection with any such Proceeding.

(d) Except as expressly set forth in this Agreement, no Creditor shall be deemed to have waived or relinquished any rights that it may have with respect to any claims or otherwise in connection with any Proceeding. For purposes of clarification, each Creditor retains its rights, to the extent such Creditor's actions are at all times consistent with and in compliance with this Agreement, to otherwise act in any Proceeding in its capacity as a holder of Indebtedness to the fullest extent provided by law.

(e) Until the Existing Creditor Loan Documents have been terminated in accordance with their terms, New Lender shall not, without the prior written consent of the Existing Creditors, take any Enforcement Action with respect to Baker's right, title and interest in the PA Equity and the Existing Creditors shall have the exclusive right to commence and maintain any such Enforcement Action or otherwise enforce rights, exercise remedies (including set off, recoupment and the right to credit bid their debt) and to make determinations regarding the release, disposition, or restrictions with respect to such PA Equity. In commencing or maintaining any Enforcement Action or otherwise exercising rights and remedies with respect to such PA Equity, the Existing Creditors may enforce the provisions of the Existing Creditor Loan Documents and exercise remedies thereunder, all in such order and in such manner as they may determine in the

exercise of their sole discretion in compliance with any applicable law and without consultation with any other Creditor and regardless of whether any such exercise is adverse to the interest of any other Creditor. Such exercise and enforcement shall include the rights of an agent appointed by the Existing Creditors, or either of them, to sell or otherwise dispose of such PA Equity upon foreclosure, to incur expenses in connection with such sale or disposition, and to exercise all the rights and remedies of a secured creditor under the UCC and of a secured creditor under the laws of any applicable jurisdiction. Additionally, and for the avoidance of doubt, until the Existing Loan Documents have been terminated in accordance with their terms New Lender hereby covenants and agrees that it shall not:

(1) take any action adverse to the priority status of the Liens on the PA Equity securing the Existing Creditor Indebtedness or the rights of the Existing Creditors as provided herein;

(2) make any filings (other than statements of interest) or file any responsive or defensive pleadings in opposition to any motion, claim, adversary proceeding or other pleading in any Proceeding, in each case, which are inconsistent with the provisions of this Agreement;

(3) vote on any plan of reorganization, arrangement, compromise or liquidation, make other filings, make any arguments and motions, in each case, which are inconsistent with the provisions of this Agreement;

(4) credit bid for the PA Equity at any public, private or judicial foreclosure upon the PA Equity initiated by an Existing Creditor, or any sale of the PA Equity during a Proceeding; or bid for or purchase the PA Equity at any public, private or judicial foreclosure upon the PA Equity initiated by an Existing Creditor, or any sale of the PA Equity during a Proceeding where such bid or purchase would not result in Payment in Full of the Existing Creditor Indebtedness; and

(5) have (and hereby agrees to waive) any and all rights it may have as a junior lien creditor (including junior lien rights to assert any marshaling, appraisal, valuation or other similar right) or otherwise to object to the manner in which an Existing Creditor seeks to enforce or collect any part of the Existing Creditor Indebtedness, regardless of whether any action or failure to act by or on behalf of an Existing Creditor is adverse to the interest of New Lender, provided nothing herein will prevent any New Lender from seeking adequate protection payments in any Proceeding to the extent an Existing Creditor is also being offered adequate protection payments.

(f) Each Creditor acknowledges and agrees that:

(1) the grants of Liens pursuant to the Documents constitute separate and distinct grants of Liens; and

(2) because of, among other things, their differing rights in the assets of Obligors, the New Lender Indebtedness, the Smoore Indebtedness and the Noteholder Indebtedness each are fundamentally different and must be separately classified in any plan of reorganization proposed or adopted in any Proceeding.

(g) The Parties hereto acknowledge that this Agreement is a “**subordination agreement**” under section 510(a) of the Bankruptcy Code, which will be effective before, during and after the commencement of any Proceeding. All references in this Agreement to any Obligor will include such Person as a debtor-in-possession and any receiver or trustee for such Person in a Proceeding.

6. Incorrect Payments. If any payment (whether made in cash, securities or other property) not expressly permitted under this Agreement is received by New Lender on account of Indebtedness before New Lender is entitled to such payment under the terms of this Agreement, such payment shall be held in trust by New Lender first for the benefit of the Existing Creditors and shall immediately be paid over first, to Smoore until the Smoore Indebtedness is satisfied and then to the Noteholder Representative until the Noteholder Indebtedness is satisfied, or either of their designated representatives, for application to the payment of the applicable Indebtedness in accordance with the terms of this Agreement.

7. Conflict. In the event of any conflict between any term, covenant or condition of this Agreement and any term, covenant or condition of any of the Documents, the provisions of this Agreement shall control and govern.

8. Sale, Transfer. New Lender shall not sell, assign, dispose of or otherwise transfer all or any portion of its rights and obligations in respect of the New Lender Indebtedness unless, prior to the consummation of any such action, any such transferee or assignee, as a condition to acquiring an interest in the New Lender Indebtedness shall agree to be bound hereby, in form satisfactory to the Existing Creditors. The Existing Creditors shall not sell, assign, dispose of or otherwise transfer all or any portion of their respective rights and obligations in respect of the Existing Creditor Indebtedness unless, prior to the consummation of any such action, any such transferee or assignee, as a condition to acquiring an interest in the Existing Creditor Indebtedness shall agree to be bound hereby, in form satisfactory to New Lender. Notwithstanding the failure to satisfy the foregoing conditions, such transfer shall be valid, and the subordination effected hereby shall survive any sale, assignment, disposition or other transfer of all or any portion of the applicable Indebtedness, and the terms of this Agreement shall be binding upon the successors and assigns of each Creditor. Each Creditor, upon the request of another Creditor and at the expense of Borrower, shall reasonably cooperate and promptly execute and deliver such further documents and do such further acts and things as such Creditor may reasonably request in order to affect fully the purposes of this Section.

9. Relationship with Existing Intercreditor Agreements. Nothing herein shall amend or modify any provision of the Existing Intercreditor Agreements or any documents evidencing the Existing Creditor Indebtedness and New Lender and the Existing Creditors acknowledge and agree that the relative priorities of the Existing Creditors’ Liens, encumbrances and claims in and to the Collateral, as such exist among the Existing Creditors, will be set forth in the Existing Intercreditor Agreements.

10. Continued Effectiveness of this Agreement; Modifications.

(a) The terms of this Agreement, the subordination effected hereby, and the rights and the obligations of New Lender and the Existing Creditors arising hereunder, shall not

be affected, modified or impaired in any manner or to any extent by: (i) any amendment or modification of or supplement to the Documents (including any increase in the amount thereof or any Permitted Refinancing); (ii) the validity or enforceability of any of such documents; (iii) any exercise or non-exercise of any right, power or remedy under or in respect of the applicable Indebtedness or any of the instruments or documents referred to in clause (i) above; or (iv) the commencement of any Proceeding in respect of any Obligor.

(b) Except as expressly provided in **Section 5**, each Creditor may at any time and from time to time without the consent of or notice to any other Creditor, without incurring liability to any other Creditor and without impairing or releasing the obligations of any other Creditor under this Agreement, change the manner or place of payment or extend the time of payment of or renew or alter any Indebtedness, or amend, restate, supplement, or otherwise modify in any manner any Document.

(c) Each Creditor waives any and all rights it may have to require any other Creditor to marshal assets, to exercise rights or remedies in a particular manner, or to forbear from exercising such rights and remedies in any particular manner or order. Each Creditor hereby waives all notice of the acceptance by the other Creditors of the subordination and other provisions of this Agreement, and each Creditor expressly consents to reliance by each other Creditor upon the subordination and other agreements as herein provided.

11. Representations and Warranties. Each Existing Creditor and New Lender hereby represents and warrants to the each of the other Creditors as follows (in each case solely with respect to, or as relevant to, itself or himself, as applicable):

(a) Existence and Power. To the extent such Person is not a natural person, such Person is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, organization or formation, as applicable.

(b) Authority. To the extent such Person is not a natural person, such Person has the power and authority to execute, deliver and perform its obligations under this Agreement, all of which have been duly authorized by all proper and necessary action required by such Person.

(c) Binding Agreements. This Agreement constitutes the legal valid and binding obligation of such Person, enforceable against the Existing Creditors and Smoore, as the case may be, in accordance with its terms, except as such enforceability may be limited by applicable bankruptcy, insolvency, or similar laws affecting the enforcement of creditors' rights generally and by equitable principles.

(d) Conflicting Agreements. The execution, delivery and performance of this Agreement by such Person does not (a) to the extent such Person is not a natural person, contravene the terms of such Person's organizational documents, (b) conflict with or result in any material breach or contravention of, or result in the creation of any lien under, any material contract or agreement to which such Person is a party or to which such Person's property is subject or any order, injunction, writ or decree of any governmental authority to which such Person or such Person's property is subject or (c) violate any law, rule or regulation binding upon such Person or

such Person's property (except for laws pertaining to the US federal regulation of cannabis, as applicable).

12. Noteholder Representative. The Creditors shall be entitled to rely upon, and shall be fully protected in relying upon, any notice or communication delivered by Noteholder Representative on behalf of any Noteholder. Any Creditor may give any notice or communication with a Noteholder hereunder to Noteholder Representative on behalf of such Noteholder. Any Creditor shall deal exclusively with Noteholder Representative for any or all purposes under this Agreement or the Documents. Each Noteholder has agreed pursuant to the Secured Note Purchase Agreement that any notice, election, communication, representation, agreement or undertaking made on its behalf by Noteholder Representative shall be binding upon and enforceable against it.

13. No Third-Party Beneficiaries. The provisions of this Agreement are solely for the purpose of defining the relative rights of New Lender and the Existing Creditors and shall not be deemed to create any rights or priorities in favor of any other Person, including, without limitation, any Obligor.

14. Default Notices. Each Creditor and each of the Obligors shall provide the other Creditors, upon the occurrence of each, notice of a default from any Creditor to any of the Obligors.

15. Additional Documents and Actions. Each Party hereto at any time, and from time to time, after the execution and delivery of this Agreement, upon the request of any other Party hereto and at the expense of Obligors, promptly will execute and deliver such further documents and do such further acts and things as such other Party may reasonably request in order to affect fully the purposes of this Agreement.

16. Cumulative Rights, No Waivers. Each and every right, remedy and power granted to any Creditor hereunder shall be cumulative and in addition to any other right, remedy or power specifically granted herein, in the Documents to such Creditor now or hereafter existing in equity, at law, by virtue of statute or otherwise, and may be exercised by each Creditor, subject to the terms of this Agreement, from time to time, concurrently or independently and as often and in such order as such Creditor may deem expedient. Any failure or delay on the part of any Creditor in exercising any such right, remedy or power, or abandonment or discontinuance of steps to enforce the same, shall not operate as a waiver thereof or affect any other Creditors' right thereafter to exercise the same, and any single or partial exercise of any such right, remedy or power shall not preclude any other or further exercise thereof or the exercise of any other right, remedy or power, and no such failure, delay, abandonment or single or partial exercise of such other Creditors' rights hereunder shall be deemed to establish a custom or course of dealing or performance among the Parties hereto.

17. Termination. This Agreement shall terminate with respect to any Obligor and its right, title and interest in any Collateral, upon the earlier of either the Existing Creditor Loan Documents or the New Lender Loan Documents having been terminated in accordance with their terms; *provided, however*, this Agreement shall be reinstated if at any time any payment of any of the New Lender Indebtedness or the Existing Creditor Indebtedness is rescinded or must otherwise be returned by any holder of the New Lender Indebtedness or the Existing Creditor Indebtedness,

or portion thereof, intended to have been satisfied shall be deemed to be reinstated and outstanding as if such payment had not occurred.

18. Notices. All notices and communications under this Agreement shall be in writing and shall be delivered by electronic mail, and, may additionally be (i) delivered in person, (ii) mailed, postage prepaid, either by registered or certified mail, return receipt requested, (iii) delivered by overnight express courier, or (iv) sent by telecopy (with such telecopy to be confirmed promptly in writing sent in accordance with (i), (ii) or (iii) above), addressed in each case to the address set forth under each such Party's signature, to any other address, as to any of the Parties hereto, as such Party shall designate in a written notice to the other Parties hereto. All notices sent pursuant to the terms of this Section shall be deemed received (i) if personally delivered, then on the Business Day of delivery, (ii) if sent by overnight, express carrier, on the next Business Day immediately following the day sent, (iii) if sent by registered or certified mail, on the earlier of the third Business Day following the day sent or when actually received, (iv) if delivered by telecopy, on the date of transmission if transmitted on a Business Day before 4:00 p.m. New York time, otherwise on the next Business Day, or (v) if by e-mail, confirmation of actual receipt of the recipient thereof, if transmitted on a business day before 4:00 p.m. New York time or, otherwise on the next Business Day.

19. Amendments; Etc. No waiver of any provision of this Agreement, and no consent to any departure by Borrower, Baker, New Lender or any Existing Creditor therefrom, shall in any event be effective unless the same shall be in writing and signed by the Party against whom the waiver or consent is sought to be enforced, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. No amendment of any provision of this Agreement shall be effective unless the same shall be in writing and signed by New Lender and each Existing Creditor. Any notice to or demand on Borrower, Baker, New Lender, or any Existing Creditor in any event not specifically required hereunder shall not entitle Borrower, Baker, New Lender or any Existing Creditor to any other or further notice or demand in the same, similar or other circumstances unless specifically required hereunder.

20. Successors and Assigns. This Agreement shall inure to the benefit of the successors and permitted assigns of Borrower, Baker, New Lender and the Existing Creditors, and shall be binding upon the successors and permitted assigns of Borrower, Baker, New Lender, and the Existing Creditors.

21. Counterparts. This Agreement may be executed in counterparts (and by different Parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or in electronic (i.e., "pdf" or "tif") format shall be effective as delivery of a manually executed counterpart of this Agreement. The words "execution," "signed," "signature," and words of like import in this Agreement shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act, the New York State Electronic Signatures and Records Act, or any other similar state laws based on the Uniform Electronic Transactions Act.

22. **Severability.** The illegality or unenforceability of any provision of this Agreement or any instrument or agreement required hereunder shall not in any way affect or impair the legality or enforceability of the remaining provisions of this Agreement.

23. **Headings.** Section headings used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

24. **Governing Law.** THE VALIDITY OF THIS AGREEMENT AND, THE CONSTRUCTION, INTERPRETATION, AND ENFORCEMENT HEREOF AND THEREOF, AND THE RIGHTS OF THE PARTIES HERETO AND THERETO WITH RESPECT TO ALL MATTERS ARISING HEREUNDER OR THEREUNDER OR RELATED HERETO OR THERETO SHALL BE DETERMINED UNDER, GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF NEW YORK, WITHOUT REGARD FOR PRINCIPLES OF CONFLICTS OF LAWS.

25. **Jurisdiction and Venue.** THE PARTIES AGREE THAT ALL ACTIONS OR PROCEEDINGS ARISING IN CONNECTION WITH THIS AGREEMENT SHALL BE TRIED AND LITIGATED ONLY IN THE STATE AND FEDERAL COURTS LOCATED IN THE COUNTY OF NEW YORK, IN THE STATE OF NEW YORK, PROVIDED, HOWEVER, THAT ANY SUIT SEEKING ENFORCEMENT AGAINST ANY NEW LOAN COLLATERAL OR OTHER PROPERTY MAY BE BROUGHT, AT NEW LENDER'S OPTION, IN THE COURTS OF ANY JURISDICTION WHERE NEW LENDER ELECTS TO BRING SUCH ACTION OR WHERE NEW LOAN COLLATERAL OR OTHER PROPERTY MAY BE FOUND AND THAT ANY SUIT SEEKING ENFORCEMENT AGAINST THE PA EQUITY MAY BE BROUGHT, AT AN EXISTING CREDITOR'S OPTION IN THE COURTS OF ANY JURISDICTION WHERE SUCH EXISTING CREDITOR ELECTS TO BRING SUCH ACTION OR WHERE SUCH PA EQUITY MAY BE FOUND. EACH OBLIGOR, EXISTING CREDITOR, AND NEW LENDER WAIVE, TO THE EXTENT PERMITTED UNDER APPLICABLE LAW, ANY RIGHT EACH MAY HAVE TO ASSERT THE DOCTRINE OF FORUM NON CONVENIENS OR TO OBJECT TO VENUE TO THE EXTENT ANY PROCEEDING IS BROUGHT IN ACCORDANCE WITH THIS SECTION 25.

26. **WAIVER OF JURY TRIAL.** EACH OBLIGOR, EXISTING CREDITOR, AND NEW LENDER HEREBY WAIVE THEIR RESPECTIVE RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OF THE DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREIN OR THEREIN, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. EACH OBLIGOR, EXISTING CREDITOR, AND NEW LENDER REPRESENT THAT EACH HAS REVIEWED THIS WAIVER AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, each of the Parties hereto has duly executed and delivered this Agreement, or caused this Agreement to be duly executed and delivered by its officer or officers thereunto duly authorized, as of the date first above written:

JORDAN GEOTAS, as Noteholder Representative

By: /s/ Jordan Geotas

Address:

Jordan Geotas

[***]

SHENZHEN SMOORE TECHNOLOGY LIMITED, a company organized and existing under the laws of Peoples' Republic of China

By: /s/ Warren Wang

Name: Warren Wang

Its: Chief Financial Officer

Email: [***]

Address:

Cheney Xu

Head of Legal and IP

[***]

Eula Liu

Legal Director

Email: [***]

Consent, Collateral Release and Intercreditor Agreement

[***]

Consent, Collateral Release and Intercreditor Agreement

BAKER TECHNOLOGIES, INC., a Delaware corporation

By: /s/ Tim Conder

Name: Tim Conder

Title: President

Address:

2801 E CAMELBACK RD, SUITE 180

PHOENIX, AZ 85016

STANDARD FARMS LLC, a Pennsylvania limited liability company

By: BAKER TECHNOLOGIES, INC., a Delaware corporation, its sole member

By: /s/ Tim Conder

Name: Tim Conder

Title: President

Address:

2801 E CAMELBACK RD, SUITE 180,

PHOENIX, AZ, 85016

Attn: Legal Department

Consent, Collateral Release and Intercreditor Agreement

SECURITY AGREEMENT

THIS SECURITY AGREEMENT (this “**Agreement**”), dated as of May 2, 2024, is made by **STANDARD FARMS LLC**, a Pennsylvania limited liability company (the “**Borrower**”), together with any subsidiary of the Borrower that becomes party hereto pursuant to Section 2], and Baker Technologies, Inc., a Delaware corporation (“**Baker**”), in favor of [***] (the “**Lender**”).

RECITALS

A. The Lender made or agreed to make (as applicable) certain loans to the Borrower pursuant to that certain Secured Promissory Note, dated as of the date hereof (as amended, modified, supplemented or restated from time to time, the “**Note**”), by and between the Borrower and the Lender.

B. As a condition to entering into the Note and extending credit to the Borrower thereunder, the Lender has required the execution and delivery of this Agreement by the Borrower and Baker.

NOW THEREFORE, in consideration of the mutual covenants contained in the Note and herein, the parties hereby agree as follows:

1. Definitions. Unless otherwise indicated, capitalized terms used in this Agreement without being defined herein shall have the meanings ascribed thereto in the Note. All terms defined herein that are not otherwise defined herein shall have the meanings given them in the recitals and the Note. All terms defined in the Uniform Commercial Code (the “**UCC**”) and not otherwise defined herein have the meanings assigned to them in the UCC.

2. Joinder of Subsidiary. In order to provide collateral free from the operational risks of and liens arising out of the Borrower’s other activities, the Borrower acknowledges its obligation to seek approval from the DOH at the earliest practical opportunity to form a wholly-owned subsidiary (“**NewCo**”) and transfer the Dispensary Permit to NewCo in accordance with Section 6(b) of this Agreement (such terms and conditions including, without limitation, that the forgoing formation and transfer shall be consummated only in accordance with the Cannabis Laws and with all applicable regulatory approvals). Immediately following NewCo’s formation, the Borrower shall cause NewCo to become party to this Agreement and the Note and agree in writing to be bound by all of the obligations of a “**Security Party**” hereunder (as defined below) by executing a joinder to this Agreement and the Note (the “**NewCo Joinder**”). For purposes of this Agreement, the Borrower and NewCo (upon the NewCo Joinder) shall be referred to together as the “**Loan Parties**” and each, as a “**Loan Party**”, and the Borrower, NewCo (upon the NewCo Joinder) and Baker shall be referred to collectively as the “**Security Parties**” and each, as a “**Security Party**”. For the avoidance of doubt and in consideration of the NewCo Joinder, the parties expressly agree that NewCo, as a wholly-owned subsidiary of the Borrower, will benefit from the credit extended by the Lender to the Borrower under the Note, including through the use of proceeds of Advances to fund the build out and stocking of, and working capital for, the Retail Locations. The parties expressly agree that Baker, as the sole member of the Borrower, will also benefit from the credit extend by the Lender to the Borrower under the Note.

3. Description of the Collateral. For purposes of this Agreement, “**Collateral**” shall mean, collectively, the Borrower Collateral, the Baker Collateral and, upon the NewCo Joinder, the NewCo Collateral (each as defined below).

(a) The “**Borrower Collateral**” shall mean the following personal property and fixtures of the Borrower, whether now owned or hereafter created or acquired, and wherever located:

(i) all General Intangibles relating to or arising out of the operation of the Retail Locations;

(ii) the equity interests owned or held by the Borrower in NewCo (as and if formed) (all such equity interests, being the “**NewCo Interests**”) and the certificates, if any, representing such equity interests, and all dividends, distributions, return of capital, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such equity interests and all warrants, rights or options issued thereon or with respect thereto;

(iii) all proceeds from the sale of Inventory at the Retail Locations;

(iv) all Instruments relating to or arising out of the operation of the Retail Locations;

(v) all Chattel Paper and Electronic Chattel Paper relating to or arising out of the operation of the Retail Locations;

(vi) all Documents relating to or arising out of the operation of the Retail Locations;

(vii) all Goods relating to or arising out of the operation of the Retail Locations;

(viii) all furniture, fixtures and other Equipment located at the Retail Locations (other than motor Vehicles);

(ix) the Retail Location Account(s) (as defined below); and

(x) all proceeds and products of the foregoing in whatever form, including, but not limited to: cash, deposit accounts (whether or not comprised solely of proceeds), certificates of deposit, insurance proceeds (including hazard, flood and credit insurance), negotiable instruments and other instruments for the payment of money, chattel paper, security agreements, documents, eminent domain proceeds, condemnation proceeds and tort claim proceeds.

(b) The “**Baker Collateral**” shall mean the following personal property and fixtures of Baker, whether now owned or hereafter created or acquired, and wherever located:

(i) the equity interests owned or held by Baker in the Borrower (all such equity interests being the “**Borrower Interests**” and, collectively with the NewCo Interests, the “**Pledged Interests**”) and the certificates, if any, representing such equity interests, and all dividends, distributions, return of capital, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of or in exchange for any or all of such equity interests and all warrants, rights or options issued thereon or with respect thereto, provided that the Lender’s security interest in such Borrower Interests shall (x) in all respects be second in priority to the security interest of the Senior Lenders and (y) automatically terminate upon the Permit Transfer (as defined below), as and if such Permit Transfer occurs in accordance with Section 6(b) of this Agreement.

(c) The “**NewCo Collateral**” shall mean and include all assets, personal property and fixtures of NewCo, whether now owned or hereafter created or acquired, and wherever located, and consisting of (without limitation):

- (i) all Accounts;
- (ii) all Equipment (other than motor vehicles);
- (iii) all General Intangibles;
- (iv) all Inventory;
- (v) all Investment Property;
- (vi) all Deposit Accounts;
- (vii) all Instruments;
- (viii) all Chattel Paper and Electronic Chattel Paper;
- (ix) all Documents;
- (x) all Commercial Tort Claims;
- (xi) all Goods;
- (xii) all Software;

(xiii) all right, title and interest in and to, whether now owned or hereafter acquired and wherever located, (A) its goods and other property including, but not limited to, all merchandise returned or rejected by customers, relating to or securing any of the Accounts; (B) all rights as a consignor, a consignee, an unpaid vendor, mechanic, artisan, or other lienor, including stoppage in transit, setoff, detinue, replevin, reclamation and repurchase; (C) all other rights and interests, including warranty claims, relating to any goods; and (D) all documents, instruments, and agreements supporting the foregoing or delivered in connection therewith;

(xiv) all ledger sheets, ledger cards, files, correspondence, records, books of account, business papers, computers, computer software (owned or in which it has an interest), computer programs, tapes, drives, cloud storage, disks and documents relating to any other property constituting part of the NewCo Collateral; and

(xv) all proceeds and products of the foregoing in whatever form, including, but not limited to: cash, deposit accounts (whether or not comprised solely of proceeds), certificates of deposit, insurance proceeds (including hazard, flood and credit insurance), negotiable instruments and other instruments for the payment of money, chattel paper, security agreements, documents, eminent domain proceeds, condemnation proceeds and tort claim proceeds.

Notwithstanding the foregoing, none of the following items will be included within the Collateral: (i) assets if the granting of a security interest in such asset would: (A) be prohibited by applicable laws (other than proceeds and receivables thereof, the assignment of which is expressly deemed effective under the UCC notwithstanding such prohibition), or (B) be prohibited by contract (except to the extent such prohibition is overridden by UCC Section 9-408) so long as such negative pledge is otherwise permitted under clause (iii) hereof, (ii) any property and assets, the pledge of which would require governmental consent, approval, license or authorization, unless and until such consent, approval, license or authorization shall have been obtained or waived, and (iii) assets in circumstances where the Lender and the Security Parties agree in writing that the cost, burden or consequence (including adverse tax consequences) of obtaining or perfecting a security interest in such assets is excessive in relation to the practical benefit afforded thereby. Further, the parties hereto understand and acknowledge that certain Cannabis Laws may prohibit or limit the ability of the Lender to take a security interest in or foreclose on any Collateral subject to Cannabis Laws and/or the Cannabis Licenses, and the parties hereto hereby agree that, notwithstanding anything to the contrary in this Agreement, no Collateral will be pledged hereunder or foreclosed on by the Lender except in accordance with all applicable Cannabis Laws and Cannabis Licenses (including without limitation filing of notices with, and obtaining pre- or post-transaction approval of, all applicable governmental authorities).

4. Security Interest in the Collateral. To secure the prompt payment and performance of the Borrower's obligations under the Note (collectively, the "**Obligations**"), each Security Party hereby grants to the Lender a continuing first priority security interest (subject to the Intercreditor Agreement) in and to and an encumbrance on all of its Collateral, whether now owned or existing or hereafter acquired or arising and wheresoever located.

5. Perfection of Security Interest. Each Security Party shall take all action that may be reasonably necessary or desirable in order to maintain at all times the validity, perfection, enforceability and priority of the Lender's security interest in and encumbrance on the Collateral or to enable the Lender to protect, exercise or enforce its rights hereunder and in the Collateral, including, but not limited to (i) immediately discharging all encumbrances other than Permitted Encumbrances; (ii) delivering to the Lender, endorsed or accompanied by such instruments of assignment as the Lender may specify, and stamping or marking, in such manner as the Lender may specify, any and all chattel paper, instruments, letters of credit and advices thereof and documents evidencing or forming a part of the Collateral, including, without limitation, any certificates representing or evidencing the Pledged Interests; (iii) entering into warehousing,

lockbox and other custodial arrangements reasonably satisfactory to the Lender; and (iv) executing and/or delivering financing statements, control agreements, instruments of pledge, mortgages, notices, assignments and other documents, in each case in form and substance reasonably satisfactory to the Lender, relating to the creation, validity, perfection, maintenance or continuation of the Lender's security interest and encumbrance under the UCC or other applicable law. Each Security Party hereby authorizes the filing of any financing statements or continuation statements, and amendments to financing statements or any similar document in any applicable jurisdictions and with any filing offices as the Lender may determine are necessary or advisable to perfect the security interest granted to the Lender for its benefit. Such financing statements may describe the Collateral in the same manner as described herein or may contain an indication or a description of collateral that describes such property in any other manner as the Lender may determine is necessary, advisable or prudent to ensure the perfection of the security interest in the Collateral granted to the Lender for its benefit, including, without limitation, describing such property as "all assets" or "all personal property, whether now owned or hereafter acquired." All actual, out-of-pocket charges, expenses and fees the Lender may incur in doing any of the foregoing, and any local taxes relating to any of the foregoing, shall be added to the Obligations, or, at the Lender's option, shall be paid by any Security Party to the Lender immediately upon demand.

6. Protection of Collateral. The Loan Parties and the Lender understand and agree that an important purpose of the Advances is to enable the development and operation of the Retail Locations and that the Retail Locations and other Collateral will have full value as collateral only (i) following the DOH's issuance of the Dispensary Permit, (ii) while the Dispensary Permit remains unencumbered, unchallenged and in full force and effect and (iii) when the Retail Locations are fully permitted, built out, properly managed and placed in operation in accordance with industry best practices in the Commonwealth and Sections 6(c) and 6(d) of this Agreement. Accordingly, each Loan Party will use best efforts (but without any attendant obligation to divest non-monetary assets) at all times to create value in the Collateral and safeguard, protect and preserve all Collateral other than dispositions expressly permitted hereunder. Without limiting the foregoing:

(a) the Borrower shall promptly apply for the Dispensary Permit and shall use best efforts (but without any attendant obligation to divest non-monetary assets) to meet any and all conditions precedent to the DOH's issuance of the Dispensary Permit to the Borrower, including, without limitation, demonstrating to the DOH that the Borrower has a legal right to build out and operate the Retail Locations;

(b) in order to further protect the Collateral used as security for the Advances by ensuring separation of the Collateral from the other assets of the Borrower, as soon as permissible under the Cannabis Laws following the Location Opening Date, the Borrower shall seek approval from the DOH, at the earliest allowable opportunity, to (i) form NewCo, (ii) transfer the Dispensary Permit from the Borrower to NewCo (the "**Permit Transfer**") and (iii) cause the NewCo Joinder in accordance with Section 2 of this Agreement;

(c) [***]

(d) the Borrower shall, and shall cause NewCo to, as applicable, comply in good faith with the lawful directives of the Lender in respect of matters related to the Advances

and operate the Loan Parties' businesses, including in respect of the Dispensary Permit and Retail Locations, (i) consistent with industry best practices and its own standard operating procedures ("SOPs") as such SOPs are submitted to the DOH, (ii) in a manner designed to maximize the revenue of such Retail Locations and preserve the goodwill and relationships of the Loan Parties' current and future customers, employees, licensors, contractors and others having business relationships with the Loan Parties with respect to the Retail Locations and (iii) in compliance with all applicable laws and regulations then in effect, including the Cannabis Laws; and

(e) Until full and indefeasible payment and performance of all of the Obligations under the Note (subject to the partial release of certain Collateral as set forth in Section 3(b)(i) of this Agreement), the Lender's interest in the Collateral shall continue in full force and effect. The Loan Parties shall use commercially reasonable efforts to defend the Lender's interest in the Borrower Collateral and the NewCo Collateral, and Baker shall use commercially reasonable efforts to defend the Lender's interest in the Baker Collateral, in each case against the claims of any and all Persons whatsoever, other than the Lender and persons claiming through the Lender.

7. [***]

8. Remedies Upon Event of Default. If any Event of Default (after giving effect to any period of grace) shall have occurred, each Security Party each agrees, upon the request of the Lender, to assemble all or any part of the Collateral as directed by the Lender and make it available to the Lender at any place of business of the such Security Party or any other location reasonably designated by the Lender, and it is understood and agreed that the Lender shall have the right, to the maximum extent permitted by applicable law, to take any of or all the following actions at the same or different times:

(a) accelerate the payment of all amounts owed under the Note or any Related Contract;

(b) with or without legal process and with or without prior notice or demand for performance, directly or through any designee holding any necessary cannabis or other licenses and permits, take possession of the Collateral and without liability to any Security Party for trespass to enter any premises where the Collateral may be located for the purpose of taking possession of or removing the Collateral;

(c) move for the appointment of a receiver on an *ex parte* basis, whose appointment is hereby explicitly consented to by the Borrower and all applicable Security Parties;

(d) foreclose the Lender's interest in or exercise any other rights in respect of the Pledged Interests; and

(e) generally, exercise any and all rights and remedies afforded to a secured party under the UCC, or any of its other rights under any applicable law.

[***]

9. Proceeds. The Lender shall apply the proceeds of any collection or sale of all or any part of the Collateral, as well as any Collateral consisting of cash, as follows:

(a) FIRST, to the payment of all costs and expenses incurred by the Lender in connection with such collection or sale or otherwise in connection with the Note or any of the Obligations, including all court costs and the reasonable fees and expenses of their agents and legal counsel, the repayment of all advances made by the Lender or the Lender hereunder on behalf of the Borrower and any other costs or expenses incurred by the Lender in connection with the exercise of any right or remedy hereunder;

(b) SECOND, to the payment in full of the Obligations; and

(c) THIRD, to the Security Parties, their respective successors and assigns or as a court of competent jurisdiction may otherwise direct.

10. Power of the Lender to Act on each Security Party's Behalf. Each Security Party hereby constitutes the Lender or the Lender's designee as such party's attorney and agent with power to take each of the following actions (if an Event of Default shall have occurred and be continuing, except those described in the following clause (iii) and (iv) which actions may be taken at any time and from time to time): (i) to endorse any Security Party's name upon any notes, acceptances, checks, drafts, money orders or other evidences of payment or Collateral; (ii) to sign any Security Party's name on any invoice or bill of lading relating to any of the Accounts, drafts against customers, assignments and verifications of Accounts; (iii) to send verifications of Accounts to any customer, (iv) to sign any Security Party's name on all financing statements or any other documents or instruments deemed necessary or appropriate by any Security Party to preserve, protect, or perfect such Security Party's interest in the Collateral and to file same; (v) to demand payment of the Accounts; (vi) to enforce payment of the Accounts by legal proceedings or otherwise; (vii) to exercise all of each Security Party's rights and remedies with respect to the collection of the Accounts and any other Collateral; (viii) to settle, adjust, compromise, extend or renew the Accounts; (ix) to settle, adjust or compromise any legal proceedings brought to collect Accounts; (x) to prepare, file and sign any Security Party's name on a proof of claim in bankruptcy or similar document against any customer; (xi) to prepare, file and sign any Security Party's name on any notice of encumbrance, assignment or satisfaction of encumbrance or similar document in connection with the Accounts; (xii) to change the address for delivery of mail addressed to any Security Party to such address as Agent may designate and to receive, open and dispose of all mail addressed to either of them and (xiii) to do all other acts and things necessary to carry out this Agreement. All acts of said attorney and agent or designee are hereby ratified and approved, and said attorney and agent or designee shall not be liable for any acts of omission or commission nor for any error of judgment or mistake of fact or of law, unless done maliciously or with gross (not mere) negligence; this power being coupled with an interest is irrevocable while any of the Obligations remain unpaid.

11. Representations, Warranties and Covenants of the Loan Parties. The representations, warranties and covenants of the Loan Parties set forth in the Note are hereby incorporated by reference as if fully set forth herein.

12. Exculpation of Liability. Nothing herein contained shall be construed to constitute the Lender as agent of any Security Party for any purpose whatsoever, nor shall the Lender be responsible or liable for any shortage, discrepancy, damage, loss or destruction of any part of the Collateral wherever the same may be located and regardless of the cause thereof. The Lender,

whether by anything herein or in any assignment or otherwise, does not assume any of the Security Parties' obligations under any contract or agreement assigned to the Lender, and the Lender shall not be responsible in any way for the performance by the Security Parties of any of the terms and conditions thereof.

13. Release of Encumbrances. Upon termination of the Note or the payment or other satisfaction in full of the Obligations under the Note, the encumbrances granted in favor the Lender under this Agreement shall automatically terminate and shall no longer secure the Obligations so paid or satisfied.

14. Notices. All notices required or permitted hereunder shall be in writing and shall be deemed effectively given: (a) upon personal delivery to the party to be notified; (b) when sent by confirmed electronic mail or facsimile if sent during normal business hours of the recipient, if not, then on the next business day; or (c) one business day after deposit with a nationally recognized overnight courier, specifying next day delivery, with written verification of receipt and charges paid by sender. Nothing in this Agreement shall limit or prohibit any other legally permitted method of delivery, and any notice shall be deemed delivered when actually received. All communications shall be sent to the parties at their respective addresses on the signature page to this Agreement or at such other address as the Security Parties or the Lender may designate by at least (10) days advance written notice to the other parties hereto.

15. Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the State of Delaware without giving effect to the principles of conflicts of laws thereof; provided, however, that the parties acknowledge their respective obligations to comply with the laws of the Commonwealth (including the rules and requirements promulgated by the DOH) only and specifically as related to cannabis matters pertaining to the Dispensary Permit and operation of the Retail Locations. Any disputes arising hereunder shall be brought in the state or federal courts located in the State of Delaware. The parties waive any objections which they may have based on venue or forum non conveniens of any suit brought in the State of Delaware. THE PARTIES KNOWINGLY AND VOLUNTARILY WAIVE JURY TRIAL IN ANY ACTION TO ENFORCE OR INTERPRET, OR OTHERWISE ARISING FROM, THIS AGREEMENT.

16. Costs and Expenses. Each of the Security Parties and the Lender agrees to pay its own costs and expenses incurred in connection with the preparation, negotiation, execution and delivery of this Agreement. Each Security Party agrees to pay all costs and expenses, including reasonable fees and expenses of counsel for the Lender, incurred by Lender in connection with the enforcement of its rights under this Agreement.

[SIGNATURE PAGE TO FOLLOW]

[Signature Page to Security Agreement]

IN WITNESS WHEREOF, each of the undersigned has caused this Security Agreement to be executed by its duly authorized officer as of the date first above written.

SECURITY PARTIES:

STANDARD FARMS LLC

By: BAKER TECHNOLOGIES, INC., its sole member

By: /s/ Tim Conder

Name: Tim Conder

Title: President

BAKER TECHNOLOGIES, INC.

By: /s/ Tim Conder

Name: Tim Conder

Title: President

c/o TILT Holdings Inc.

2801 E. Camelback Rd., Suite 180

Phoenix, AZ 85016

Attention: Legal Department

LENDER:

[***]

**CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Tim Conder, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TILT 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(s) 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)) 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 internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2024

/s/ Tim Conder

Tim Conder
Chief Executive Officer
(Principal Executive Officer)

**CERTIFICATION OF PRINCIPAL FINANCIAL OFFICER
PURSUANT TO RULES 13a-14(a) AND 15d-14(a)
UNDER THE SECURITIES EXCHANGE ACT OF 1934,
AS ADOPTED PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Brad Hoch, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of TILT 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(s) 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)) 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 internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the 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(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 15, 2024

/s/ Brad Hoch

Brad Hoch

Interim Chief Financial Officer and Chief Accounting Officer
(Principal Financial Officer)

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER AND PRINCIPAL FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350 AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of TILT Holdings Inc. (the "Company") on Form 10-Q for the period ended March 31, 2024, as filed with the Securities and Exchange Commission ("SEC") on the date hereof (the "Report"), each of Tim Conder, Chief Executive Officer of the Company, and Brad Hoch, Interim Chief Financial Officer and Chief Accounting Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 15, 2024

/s/ Tim Conder

Tim Conder
Chief Executive Officer
(Principal Executive Officer)

Date: May 15, 2024

/s/ Brad Hoch

Brad Hoch
Interim Chief Financial Officer and Chief Accounting Officer
(Principal Financial Officer)
