
**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, 2023
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, 2023, there were 334,360,238 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\$” or “USD\$” in this Quarterly Report on Form 10-Q refer to United States dollars, and all references to “C\$” or “CAD\$” refer to Canadian dollars.

DISCLOSURES 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 our objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to our 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 ability to obtain additional financing on favorable terms; 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 (“CSA”); risks related to the enforcement activities by the U.S. Department of Justice (“DOJ”); 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 security by regulatory authorities; risks related to the Company’s ability to continue as a going concern; 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 transition of the Company’s leadership; 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; the uncertainty of the impact of the coronavirus (“COVID-19”) pandemic on the Company and on the operations of the Company; 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 Company’s

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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 ("FDA"); 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 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 consumer perception; 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, such as the conflict between Russia and Ukraine; 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 OTCQX; and other factors beyond our control, as more particularly described under the heading "Risk Factors" in this Quarterly Report on Form 10-Q and the Form 10-K for the fiscal year ended December 31, 2022 filed by the Company with the U.S. Securities and Exchange Commission (the "SEC") on March 16, 2023 (the "Form 10-K") and on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.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)

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
	(unaudited)	(audited)
ASSETS		
Current assets		
Cash and cash equivalents	\$ 3,891	\$ 2,202
Restricted cash	1,298	1,298
Trade receivables, net	26,129	26,698
Inventories	45,905	52,909
Loans receivable, current portion	252	516
Prepaid expenses and other current assets	2,079	1,979
Assets held for sale	185	325
Total current assets	79,739	85,927
Non-current assets		
Property, plant and equipment, net	59,439	67,937
Right-of-use assets – finance, net	4,094	4,351
Right-of-use assets – operating, net	12,629	740
Investments	6,402	6,402
Intangible assets, net	99,450	102,714
Loans receivable, net of current portion	5,705	3,703
Goodwill	20,751	20,751
Other assets	1,473	1,453
TOTAL ASSETS	\$ 289,682	\$ 293,978
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities		
Accounts payable and accrued liabilities	\$ 50,624	\$ 58,170
Income taxes payable	1,476	979
Deferred revenue	4,745	5,760
Finance lease liability, current portion	1,105	1,075
Operating lease liability, current portion	83	135
Notes payable, current portion	5,540	59,378
Total current liabilities	63,573	125,497
Non-current liabilities		
Finance lease liability, net of current portion	3,959	4,245
Operating lease liability, net of current portion	12,795	701
Notes payable, net of discount, net of current portion	43,356	350
Massachusetts lease liability	40,201	40,022
Deferred tax liability	2,157	1,373
Other liabilities	1,593	273
TOTAL LIABILITIES	167,634	172,461
Shareholders' equity		
Common shares, without par value, unlimited shares authorized, 377,886,135 and 377,515,391 issued and outstanding as of March 31, 2023 and December 31, 2022, respectively	858,405	858,143
Additional paid-in capital	225,225	225,127
Warrants	5,835	796
Accumulated other comprehensive income	986	988
Accumulated deficit	(968,578)	(963,703)
TOTAL SHAREHOLDERS' EQUITY	121,873	121,351
Non-controlling interest	175	166
TOTAL EQUITY	122,048	121,517
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 289,682	\$ 293,978

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, 2023	March 31, 2022
Revenues, net	\$ 42,264	\$ 42,352
Cost of goods sold	(33,468)	(32,999)
Gross profit	8,796	9,353
Operating expenses:		
Wages and benefits	5,784	5,168
General and administrative	5,620	4,779
Sales and marketing	404	407
Share-based compensation	293	1,226
Depreciation and amortization	4,129	4,558
Impairment loss and loss on disposal of assets	188	697
Total operating expenses	16,418	16,835
Operating loss	(7,622)	(7,482)
Other income (expense):		
Interest income	64	18
Other income	97	3
Change in fair value of warrant liability	—	(2,163)
Gain on sale of assets	8,401	1
Unrealized loss on investment	—	(45)
Loan receivable losses	(388)	(517)
Interest expense	(4,092)	(2,781)
Total other income (expense)	4,082	(5,484)
Loss from operations before income tax and non-controlling interest	(3,540)	(12,966)
Income taxes		
Income tax (expense) benefit	(1,326)	1,332
Net loss before non-controlling interest	(4,866)	(11,634)
Less: Net (loss) income attributable to non-controlling interest	(9)	5
Net loss attributable to TILT Holdings Inc.	\$ (4,875)	\$ (11,629)
Other comprehensive loss		
Net loss	\$ (4,866)	\$ (11,634)
Foreign currency translation differences	(2)	1
Comprehensive loss before non-controlling interest	(4,868)	(11,633)
Less: Net (loss) income attributable to non-controlling interest	(9)	5
Comprehensive loss attributable to TILT Holdings Inc.	\$ (4,877)	\$ (11,628)
Weighted average number of shares outstanding:		
Basic	377,697,175	374,607,212
Net loss per common share attributable to TILT Holdings Inc.		
Basic	\$ (0.01)	\$ (0.03)

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, 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

	Common Shares		Additional Paid in Capital	Warrants	Accumulated Other Comprehensive Income	Accumulated Deficit	Non-Controlling Interest	Shareholders' Equity Total
	Shares	Amount						
Balance - December 31, 2021	374,082,759	\$ 854,952	\$ 224,835	\$ 952	\$ 999	\$ (856,248)	\$ 175	\$ 225,665
Share-based compensation	—	—	81	—	—	—	—	81
Issuance and vesting of restricted share units	1,220,468	888	—	—	—	—	—	888
Shares reserved for contingent consideration	—	257	—	—	—	—	—	257
Comprehensive income (loss) for the period	—	—	—	—	1	(11,629)	(5)	(11,633)
Balance - March 31, 2022	375,303,227	\$ 856,097	\$ 224,916	\$ 952	\$ 1,000	\$ (867,877)	\$ 170	\$ 215,258

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, 2023	March 31, 2022
Cash flows from operating activities:		
Net loss	\$ (4,866)	\$ (11,634)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Unrealized loss on investments	—	45
Gain on sale of assets	(8,401)	(1)
Depreciation and amortization	5,496	5,888
Amortization of operating lease right of use assets	484	280
Change in allowance for doubtful accounts	150	(115)
Non-cash interest income	(67)	(18)
Deferred tax	784	(1,831)
Share-based compensation	293	1,226
Accretion of debt discount	291	771
Change in fair value of warrant liability	—	2,163
Loan receivable losses	388	517
Impairment loss and loss on disposal of assets	188	697
Non-cash interest expense	2,037	1,225
Net change in working capital items:		
Trade receivables, net	419	3,654
Inventories	7,004	5,969
Prepaid expenses and other current assets	(120)	46
Accounts payable and accrued liabilities	212	(3,500)
Income tax payable	497	407
Deferred revenue	(1,015)	(1,586)
Net cash provided by operating activities	3,774	4,203
Cash flows from investing activities:		
Purchases of property, plant, and equipment	(125)	(491)
Proceeds from sale of property, plant and equipment	15,000	3
Repayment of loan receivable, net of advances	(2,059)	(287)
Net cash provided by (used in) investing activities	12,816	(775)
Cash flows from financing activities:		
Payments on lease liability	(1,788)	(632)
Repayments on notes payable	(10,325)	—
Repayments on Revolving Facility	(29,073)	(32,529)
Debt issuance costs	(1,029)	—
Proceeds from Revolving Facility	27,316	32,012
Net cash used in financing activities	(14,899)	(1,149)
Effect of foreign exchange on cash and cash equivalents	(2)	1
Net change in cash and cash equivalents and restricted cash	1,689	2,280
Cash and cash equivalents and restricted cash, beginning of year	3,500	6,952
Cash and cash equivalents and restricted cash, end of year	\$ 5,189	\$ 9,232
Supplemental disclosures of non-cash investing and financing activities:		
Increase 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	\$ 1,760	\$ 1,044
Cash paid for income taxes	\$ —	\$ —

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

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 39 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 NEO Exchange under the symbol “TILT.” In addition, the common shares are quoted on the OTCQX in the U.S. under the symbol “TLLTF.” The Company’s head office is in Phoenix, Arizona and its registered office is located at 745 Thurlow Street, #2400 Vancouver, BC V6C 0C5 Canada.

Going Concern

The Company has experienced operating losses since its inception and expects to continue to incur losses in the development of its business. The Company incurred a comprehensive loss of \$4,877 during the three months ended March 31, 2023 and has an accumulated deficit of \$968,578 as of March 31, 2023. Additionally, as of March 31, 2023, the Company had positive working capital of \$16,166 (compared to negative working capital of \$39,570 as of December 31, 2022).

During the three months ended March 31, 2023, the Company completed the following transactions (i) Pennsylvania Transaction (as defined below), (ii) refinancing of the 2019 Junior Notes (as defined below) and (iii) extension of the maturity date and increased the amount available under the Revolving Facility (as defined below).

On February 15, 2023, the Company completed its previously announced sale-leaseback transaction with Innovative Industrial Properties, Inc. (“IIP”) pertaining to its White Haven, Pennsylvania facility (“White Haven Facility”) for \$15,000 with net proceeds used towards repayment of debt and working capital (the “Pennsylvania Transaction”).

On February 15, 2023, the Company repaid the remaining balance of the senior secured promissory notes issued on November 1, 2019 (the “2019 Senior Notes”), retiring the remainder of its 2019 senior debt facility previously extended to February 28, 2023, with no further obligations.

On March 13, 2023, the Company, through its subsidiary Jupiter Research LLC (“Jupiter”), entered into an amendment to its existing \$10,000 asset-based revolving credit facility (the “Revolving Facility”) to increase the amount available under the Revolving Facility to \$12,500 and extend the maturity date to July 21, 2024. Additionally, borrowings under the Revolving Facility will bear interest at the prime rate plus 3%, and is secured by Jupiter’s inventory, accounts receivable and related property. The amendment also includes a guaranty by the Company in the amount of \$6,000.

For further details regarding these transactions, see Note 5 – Property, Plant and Equipment and Note 10 – Notes Payable and Note 12 – Leases.

The Company’s operating plans for the next 12 months include (i) 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; and (v) obtaining other financings as necessary.

The Company believes the actions discussed above will most likely occur, and that these actions 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, subsequent to Q1 2023, a primary supplier significantly changed the payment terms of the Company’s trade payable. This was an unexpected event impacting

All dollar amounts expressed in thousands, except per share amounts

short-term liquidity, therefore, the Company must seek additional financing to satisfy the transition of the new payment terms and provide working capital for the business. As a result, 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. The financial statements do not include any adjustments that might become necessary should the Company be unable to continue as a going concern. See Part II, Item 1A, Risk Factors for further details.

COVID-19 Pandemic and Global Conflicts

In March 2020, the World Health Organization categorized coronavirus disease 2019 ("COVID-19") as a global pandemic. The Company continues to implement and evaluate actions to strengthen its financial position and support the continuity of its business and operations.

The impact of the COVID-19 pandemic and geopolitical conflicts, including the recent war in Ukraine, created much uncertainty in the global marketplace. There are many uncertainties regarding these events, and the Company is closely monitoring the ongoing impact on all aspects of its business, including how it will impact its services, customers, employees, vendors, and business partners now and in the future. While the COVID-19 pandemic and recent geopolitical conflicts did not materially adversely affect the Company's financial results and business operations in the three months ended March 31, 2023, the Company is unable to predict the impact that these events will have on its future financial position and operating results due to numerous uncertainties.

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, and (ii) the instructions to Form 10-Q and 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, 2022 ("Form 10-K"), as filed with the U.S. Securities and Exchange Commission ("SEC") on March 16, 2023 and with the relevant 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, 2023. 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, 2023 and 2022. Operating results for the three months ended March 31, 2023 are not necessarily indicative of the results that may be expected for the current year ending December 31, 2023.

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.

All dollar amounts expressed in thousands, except per share amounts

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, 2023, the Company reclassified \$4,741 of the Massachusetts Lease Liability (as defined in Note 11 — Massachusetts Lease Liability) previously included in current liabilities on the consolidated balance sheet as of December 31, 2022 into the Massachusetts lease liability in noncurrent liabilities. See Note 11 — Massachusetts Lease Liability 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 \$1,298 in restricted cash as of both March 31, 2023 and December 31, 2022. Included in restricted cash was a certificate of deposit related to Jupiter customs bonds totaling \$1,252 as of both March 31, 2023 and December 31, 2022.

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.

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 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.

All dollar amounts expressed in thousands, except per share amounts

Recently Adopted Accounting Pronouncements

In August 2020, the FASB issued an accounting standards update (“ASU”) 2020-06 *Debt — Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging — Contracts in Entity’s Own Equity (Subtopic 815-40) — Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity*, which is intended to simplify the recognition of convertible instruments and contracts in an entity’s own equity. ASU 2020-06 reduces the number of accounting models for convertible debt instruments and convertible preferred stock, revises the derivatives scope exception, and makes targeted improvements to the related earnings per share guidance. ASU 2020-06 became effective for the Company in the first quarter of 2022. The adoption of this standard did not have any impact on the Company’s Financial Statements.

In May 2021, the FASB issued ASU 2021-04, *Earnings per Share (Topic 260), Debt-Modifications and Extinguishments (Subtopic 470-50), Compensation-Stock Compensation (Topic 718), and Derivatives and Hedging-Contracts in Entity’s Own Equity (Subtopic 815-40) — Issuer’s Accounting for Certain Modifications or Exchanges of Freestanding Equity-Classified Written Call Options*. ASU 2021-04 clarifies whether an issuer should account for a modification or an exchange of freestanding equity-classified written call options that remain equity classified after modification or exchange as (1) an adjustment to equity and if so, the related earnings per share effects, if any, or (2) an expense, and if so, the manner and pattern of recognition. ASU 2021-04 became effective for the Company on January 1, 2022. The adoption of this standard did not have an impact on the Company’s Financial Statements.

Recently Issued Accounting Pronouncements

In October 2021, the FASB issued ASU 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. ASU 2021-08 requires that an entity (acquirer) recognize and measure contract assets and contract liabilities in accordance with Topic 606 (Revenue from Contracts with Customers) as if the entity had originated the contracts. ASU 2021-08 is effective for the Company beginning January 1, 2023. The Company will consider adopting this ASU and the effects of adoption on the Company’s financial statements when it next completes a business combination.

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides optional expedients and exceptions for applying U.S. GAAP to contracts, hedging relationships, and other transactions that reference the London Interbank Offered Rate (“LIBOR”) or another reference rate expected to be discontinued because of reference rate reform. This guidance was effective upon issuance as of March 12, 2020 and may be adopted as reference rate reform activities occur through December 31, 2022. The FASB subsequently issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*, which extends the cessation date of certain LIBOR from December 31, 2022 to June 30, 2023. We have not yet applied any of the expedients and exceptions and do not expect this guidance to have a material impact on our 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.

All dollar amounts expressed in thousands, except per share amounts

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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).

Items Measured at Fair Value on a Recurring Basis

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

Fair value of assets	As of March 31, 2023		
	Fair value hierarchy		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 3,891	\$ —	\$ —
Restricted cash	1,298	—	—
Investments	2	—	—
Total	\$ 5,191	\$ —	\$ —

Fair value of assets	As of December 31, 2022		
	Fair value hierarchy		
	Level 1	Level 2	Level 3
Cash and cash equivalents	\$ 2,202	\$ —	\$ —
Restricted cash	1,298	—	—
Investments	2	—	—
Total	\$ 3,502	\$ —	\$ —

The Akerna Corp. (“Akerna”) marketable security balance included in investments has Level 1 inputs. The HERBL Inc. (“HERBL”) balance included in investments is recorded at cost and excluded from the schedule above. The Big Toe Ventures LLC (“Big Toe”) balance included in investments was initially recorded at cost, but impairment was subsequently identified and the balance was adjusted to zero as an approximation of fair value using Level 3 inputs during the year ended December 31, 2022. There were no adjustments made during the three months ended March 31, 2023.

During the three months ended March 31, 2022, the Company recorded a loss of \$45 related to its investment in Akerna, which 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.

During the three months ended March 31, 2022, the Company recorded a loss of \$2,163 on the change in fair value of its warrant liability. This loss is included in other income (expense) in the condensed consolidated statements of operations and comprehensive loss. There was no warrant liability as of March 31, 2023.

The carrying amount of the Company’s term loan approximates its 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 related current expected credit losses, approximates their fair values. See Note 8 — Loans Receivable for additional information. The carrying amounts of all financial assets and liabilities, other than notes payable and loans receivables, approximate their fair values. There were no transfers between the levels of fair value hierarchy during the three months ended March 31, 2023 and 2022.

All dollar amounts expressed in thousands, except per share amounts

4. Inventories

The Company's inventories consisted of the following:

	March 31, 2023	December 31, 2022
Raw Material - cannabis plants	\$ 2,918	\$ 3,383
Raw Material - other materials	718	763
Work in progress	11,446	11,268
Finished goods	28,111	34,779
Supplies and accessories	2,712	2,716
Total Inventories	\$ 45,905	\$ 52,909

5. Property, Plant and Equipment

The property, plant and equipment consisted of the following:

	March 31, 2023	December 31, 2022
Land	\$ 6,266	\$ 6,434
Land improvements	—	461
Machinery & equipment	13,481	13,692
Furniture & fixtures	784	790
Buildings	45,107	51,987
Greenhouse - agricultural structure	6,769	8,196
Leasehold improvements	9,795	9,955
Construction in progress	605	610
Autos & trucks	256	256
Total cost	83,063	92,381
Less: accumulated depreciation	(23,624)	(24,444)
Total property, plant and equipment	\$ 59,439	\$ 67,937

During the three months ended March 31, 2023 and 2022, the Company recognized depreciation expense of \$1,975 and \$1,952, respectively. Depreciation expense is included in cost of goods sold and depreciation and amortization in the condensed consolidated statements of operations and comprehensive loss.

During the three months ended March 31, 2023, the Company completed the Pennsylvania Transaction and 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 derecognized the property, plant and equipment with a carrying value of \$6,599, resulting in a gain on sale of assets of \$8,401. See Note 12 — Leases for additional information.

During the three months ended March 31, 2022, the Company recorded a gain on sale of assets of \$1. This gain, along with the gain on sale of assets related to the Pennsylvania Transaction, are included in gain on sale of assets in the condensed consolidated statements of operations and comprehensive loss.

In connection with management's ongoing multi-phase plans to produce high-quality flowers, during the three months ended March 31, 2022, the Company replaced existing lights with new market-standard LED lights. As a result, the Company recorded a loss on disposal in the amount of \$697, which represented the carrying value of existing lights. This loss is included in impairment loss and loss on disposal of assets in the condensed consolidated statements of operations and comprehensive loss.

All dollar amounts expressed in thousands, except per share amounts

6. Investments

The Company's investments included the following:

<u>Investment</u>	<u>March 31, 2023</u>	<u>December 31, 2022</u>
HERBL, Inc.	\$ 6,400	\$ 6,400
Akerna	2	2
Total Investments	\$ 6,402	\$ 6,402

The Company recorded the investments in HERBL and Big Toe 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 intends to hold its investment in HERBL until HERBL executes its next equity financing. The Company has an arrangement with HERBL that, upon such equity financing, if the fair value of HERBL's class B common shares is less than the initial cost, HERBL will issue additional shares to make up the difference. During 2022, the Company identified an impairment and adjusted the balance of its investment in Big Toe to zero. The Company has not applied impairment or price adjustments to the original cost of HERBL through March 31, 2023.

During the three months ended March 31, 2022, the Company recorded an unrealized loss of \$45 from the 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, 2023</u>	<u>December 31, 2022</u>
Customer relationships	\$ 85,300	\$ 85,300
Trademarks	29,000	29,000
License rights ⁽¹⁾	6,540	6,540
Management agreements	926	926
Patents & technologies	32,900	32,900
Backlog and non-competition agreements	10,406	10,406
Total intangible assets, at cost	165,072	165,072
Less: Accumulated amortization	(65,622)	(62,358)
Total intangible assets, net	\$ 99,450	\$ 102,714

(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, 2022 and 2021 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, 2023 and 2022, was \$3,264 and \$3,676, respectively. This amortization expense is included in depreciation and amortization in the condensed consolidated statements of operations and comprehensive loss.

All dollar amounts expressed in thousands, except per share amounts

The following table outlines the estimated future annual amortization expense related to intangible assets as of March 31, 2023:

Years ended December 31,	Estimated amortization
Remainder of 2023	\$ 9,792
2024	13,056
2025	13,056
2026	12,899
2027	12,899
Thereafter	31,369
	\$ 93,071

8. Loans Receivable

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

Loans receivable	March 31, 2023	December 31, 2022
Teneo Fund SPVi LLC Note	\$ 5,911	\$ 5,911
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	4,325	2,199
Total loans receivable	\$ 13,582	\$ 11,456
Less allowance for expected credit losses	(7,625)	(7,237)
Loans receivable, net of expected credit losses	5,957	4,219
Less current portion of loan receivable	(252)	(516)
Loans receivable, long-term	\$ 5,705	\$ 3,703

The Little Beach Harvest loan receivable balance is subject to an interest rate of 9.0%. Accrued interest receivable was \$132 as of March 31, 2023 and is included in loans receivable on the condensed consolidated balance sheets. Interest income was \$64 and \$4 for the three months ended March 31, 2023 and 2022, respectively, and included in interest income on the condensed consolidated statements of income and comprehensive loss.

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, 2023, the Company recorded an additional \$388 of allowance for expected credit losses due to revised collectability estimates.

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.

All dollar amounts expressed in thousands, except per share amounts

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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, 2023		
	Gross amounts	Loan losses	Net
Security interest in assets of counterparty	\$ 11,948	(6,177)	\$ 5,771
Third party guarantee	1,410	(1,224)	186
No collateral	224	(224)	—
Net loans receivable	\$ 13,582	\$ (7,625)	\$ 5,957

Nature of collateral	As of December 31, 2022		
	Gross amounts	Loan losses	Net
Security interest in assets of counterparty	\$ 9,822	\$ (5,915)	\$ 3,907
Third party guarantee	1,410	(1,098)	312
No collateral	224	(224)	—
Net loans receivable	\$ 11,456	\$ (7,237)	\$ 4,219

9. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities consisted of the following:

Accounts payable and accrued liabilities	March 31, 2023	December 31, 2022
Accounts payable	\$ 45,983	\$ 49,261
Accrued interest expense	—	2,983
Accrued payroll	2,399	1,626
Due to Jupiter Sellers	—	2,800
Other current payables/liabilities ⁽¹⁾	2,242	1,500
Total accounts payable and accrued liabilities	\$ 50,624	\$ 58,170

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

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, 2023 and December 31, 2022, the loyalty liability totaled \$152 and \$159, respectively, which is included in accounts payable and accrued liabilities on the condensed consolidated balance sheets.

All dollar amounts expressed in thousands, except per share amounts

10. Notes Payable

Notes payable and debt issuance costs are as follows:

Notes Payable	March 31, 2023	December 31, 2022
Revolving Facility – Interest rate of 11.0% as of March 31, 2023, due on July 21, 2024 ⁽¹⁾	\$ 9,122	10,722
2019 Senior Notes – Interest rate of 16.0% per annum, due on February 28, 2023	—	2,159
2019 Junior Notes – Interest rate of 8.0% per annum, due on April 1, 2023	—	46,497
2023 Refinanced Notes – Interest rate of 16.5% per annum as of March 31, 2023, due on February 15, 2026	38,540	—
2023 New Notes – Interest rate of 16.5% per annum as of March 31, 2023, due on February 15, 2027	8,427	—
Other loans and borrowings	350	350
Total debt	56,439	59,728
Less: Debt discount and debt issuance costs	(7,543) ⁽²⁾	—
Less: Current portion of notes payable	(5,540)	—
Total debt, net	\$ 43,356	\$ 59,728

(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) Includes \$7,464 of debt discount and debt issuance costs related to the 2023 Refinanced Notes and \$79 of debt issuance costs related to the Revolving Facility. See below for additional detail.

On February 15, 2023, the Company repaid the remaining balance of its senior secured promissory notes issued on November 1, 2019 (the “2019 Senior Notes”), retiring the remainder of its 2019 senior debt facility previously extended to February 28, 2023, with no further obligations.

On November 1, 2019, the Company and its subsidiaries, Jimmy Jang, L.P. (“JJ LP”), Baker Technologies, Inc. and subsidiaries (collectively, “Baker”), Commonwealth Alternative Care (“CAC”), and Jupiter entered into the Junior Secured Note Purchase Agreement (the “2019 Junior Notes NPA”) relating to the issuance of junior secured promissory notes (the “2019 Junior Notes”). On February 15, 2023 (the “Effective Date”), the Company and its subsidiaries JJ LP, Baker, CAC, and Jupiter (collectively, the “Subsidiary Borrowers”) entered into a first amendment (the “NPA Amendment”) to 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 “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”). As part of this refinancing, the Company repaid \$9,088 in interest on the 2019 Junior Notes. This refinancing was accounted for as a debt modification, and neither the Company nor the Subsidiary Borrowers received any new proceeds from the Holders as a result of the NPA Amendment.

The 2023 Refinanced Notes mature on February 15, 2026, 36 months from the Effective Date, and bear interest at the greater of 16% or the prime rate plus 8.5% payable monthly. The interest rate is subject to increase by 1% annually if the aggregate principal amount outstanding under the 2023 Refinanced Notes is greater than \$30,000 on the first anniversary of the Effective Date or greater than \$22,000 on the second anniversary of the Effective Date. The Subsidiary Borrowers are obligated to pay an aggregate of \$5,000 of principal on the 2023 Refinanced Notes on each anniversary of the Effective Date of the 2023 Refinanced Notes, as well as an annual payment at the beginning of each calendar year the 2023 Refinanced Notes are outstanding that is equal to 50% of the Company’s unrestricted cash greater than \$10,000 at the end of the prior calendar year. The Subsidiary Borrowers are also obligated to make mandatory prepayments of net cash proceeds from asset sales, casualty and condemnation awards, future equity or debt issuances and the settlement of certain third-party assets.

All dollar amounts expressed in thousands, except per share amounts

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As part of the 2023 Refinanced Notes, the Company recognized a debt discount of \$7,755. Included in this amount was \$5,106 related to the fair value of the Debt Modification Warrants (as defined herein), a \$2,000 fee payable to the Noteholder Representative, and \$649 of debt issuance costs. The debt discount had a balance of \$7,464 as of March 31, 2023.

Pursuant to the NPA Amendment, the Subsidiary Borrowers also issued by way of private placement secured promissory notes (“2023 New Notes”) in the aggregate principal amount of \$8,260 to the Holders with a maturity date of February 15, 2027, 48 months from the Effective Date. The 2023 New Notes bear interest at the greater of 16% or the prime rate plus 8.5% payable quarterly. The Company is not required to make principal payments on the 2023 New Notes before their maturity date and until the 2023 Refinanced Notes are paid in full. Once the 2023 Refinanced Notes are paid in full, the Subsidiary Borrowers’ obligations to make principal payments will be the same as previously existed under the 2023 Refinanced Notes as described above. The 2023 New Notes were originally included in accounts payable and accrued liabilities as of December 31, 2022.

No principal payments will be due on the 2023 New Notes before their maturity date unless and until the 2023 Refinanced Notes are paid in full. Once the 2023 Refinanced Notes are paid in full, the Subsidiary Borrowers’ obligations to make principal payments will be the same as previously existed under the 2023 Refinanced Notes and described above. Any interest or principal payments under the 2023 New Notes due before the maturity date of the 2023 Refinanced Notes may, at the Subsidiary Borrowers’ election, be paid by increasing the principal amount of the 2023 New Notes on a dollar-for-dollar basis.

The 2023 Refinanced Notes and the 2023 New Notes (collectively, the “2023 Notes”) are secured by a first priority security interest in all of the assets of the Subsidiary Borrowers, except that the Holders will receive a second priority security interest in the assets that are already pledged by Jupiter under the Revolving Facility. The 2023 Notes are also guaranteed by the Company and all subsidiaries of the Company. The equity interests in all subsidiaries of the Company have also been pledged as security for the obligations under the 2023 Refinanced Notes.

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. As of March 31, 2023, the Company was not required to perform the debt covenant calculations. The 2023 Notes may be accelerated and all remedies may be exercised by the Holders in case of an event of default under the 2023 Notes, which includes events that customarily constitute an event of default for debt securities of this type as well as upon a change of control, the termination of Dana Arvidson’s employment for any reason and the failure by the Company to appoint a replacement within 90 days that is approved by the Noteholder Representative.

In connection with the NPA Amendment, the Company also issued to each Holder a warrant (each a “Debt Modification Warrant,” collectively the “Debt Modification Warrants”) to purchase 2,421.05 common shares of the Company for every \$1 principal amount of the 2023 Refinanced Notes held by each Holder, for a total aggregate of 91,999,901 Debt Modification Warrants. See Note 13 — Shareholders' Equity for additional information.

Future maturities of all notes payable as of March 31, 2023 were as follows:

Year ended December 31,	Amount
Remainder of 2023	\$ 540
2024	14,122
2025	5,000
2026	28,000
2027	8,427
2028 and thereafter	350
Total	\$ 56,439

All dollar amounts expressed in thousands, except per share amounts

11. Massachusetts Lease Liability

On May 16, 2022, the Company, through its subsidiary CAC, completed the acquisition of a cultivation, processing and product manufacturing lab and medical and adult-use dispensary in Taunton, Massachusetts (the “Taunton Facility”) for \$13,047 cash consideration pursuant to a purchase option included in the Company’s lease with the previous owner of the Taunton Facility. Concurrently with the acquisition, CAC sold the Taunton Facility to IIP for \$40,000 cash consideration. The Company also entered into a long-term lease for the Taunton Facility with a term of 20 years and a maturity date of May 15, 2042, with two 5-year extensions exercisable at the Company’s discretion (the “Massachusetts Lease Liability”). The Massachusetts Lease Liability matures on May 15, 2042, with two five-year extension options. Lease payments are due monthly, and are subject to an annual escalation of 2.5% after two years. CAC anticipates no disruption to its operations as a result of these transactions.

The cash proceeds from IIP were used to pay the Taunton Facility purchase price, \$25,466 was remitted to an escrow account that was included in restricted cash and the remaining proceeds were used to pay transaction expenses.

The early lease termination and acquisition of the Taunton Facility resulted in derecognizing a right of use (“ROU”) asset balance of \$3,940, and lease liability balance of \$4,454; and recognizing land and building balances of \$6,266 and \$6,268, respectively. 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.

During the three months ended March 31, 2023, the Company reclassified the portion of the Massachusetts Lease Liability previously included in current liabilities on the consolidated balance sheet as of December 31, 2022 into the Massachusetts lease liability in noncurrent liabilities. This change was made due to a change in accounting principle made during the three months ended March 31, 2023. The Company was previously using an accounting alternative accepted under ASC 842, *Leases* (“ASC 842”), as further described in the Company’s Form 10-K. During the three months ended March 31, 2023, the Company determined that the interest expense on the Massachusetts Lease Liability exceeded the periodic rental payments, resulting in an accretion of the Massachusetts Lease Liability. The accretion will result in an increase in the lease liability in the next 12 months. Therefore, the change better quantifies both short-term and long-term balance sheet presentations due to no reduction of total lease liability over the next 12 months, and this approach is also acceptable under ASC 842.

As of March 31, 2023, the Massachusetts Lease Liability had a balance of \$40,201. Future minimum lease payments for the Massachusetts Lease Liability as of March 31, 2023 are as follows:

Year ended December 31,	Amount
Remainder of 2023	\$ 3,300
2024	4,469
2025	4,581
2026	4,695
2027	4,812
2028 and thereafter	162,855
Total future payments	184,712
Less: Interest	(152,223)
Total present value of minimum payments	32,489
Add: Estimated ending residual value	7,712
Total	\$ 40,201

All dollar amounts expressed in thousands, except per share amounts

12. Leases

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

	Three Months Ended	
	March 31, 2023	March 31, 2022
Operating lease cost	\$ 484	\$ 280
Finance lease cost:		
Amortization of lease assets	257	258
Interest on lease liabilities	102	122
Finance lease costs	359	380
Total lease cost	\$ 843	\$ 660

For the three months ended March 31, 2023, the Company recorded short-term lease expense of \$741, of which \$484 related to operating leases and \$257 was related to finance leases. For the three months ended March 31, 2022, the Company recorded short-term lease expense of \$538, of which \$280 was related to operating leases and \$258 was related to finance leases.

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

	March 31, 2023	December 31, 2022
Operating leases		
Weighted average discount rate	19.1%	8.0%
Weighted average remaining lease term	13.65 years	5.49 years
Finance leases		
Weighted average discount rate	8.0%	8.0%
Weighted average remaining lease term	4.18 years	4.66 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 an 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, 2023, the operating lease liability associated with this transaction is \$12,075.

All dollar amounts expressed in thousands, except per share amounts

Future minimum lease payments under the Company's non-cancellable leases as of March 31, 2023 are as follows:

<u>Year ended December 31,</u>	<u>Finance</u>	<u>Operating</u>
Remainder of 2023	\$ 1,094	\$ 1,834
2024	1,489	2,433
2025	1,212	2,468
2026	926	2,530
2027	916	2,594
2028 and thereafter	380	28,264
Total undiscounted lease liabilities	6,017	40,123
Interest or discount on lease liabilities	(953)	(27,245)
Total present value of minimum lease payments	5,064	12,878
Lease liability - current portion	(1,105)	(83)
Lease liability	<u>\$ 3,959</u>	<u>\$ 12,795</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 of the Company at any time per request of the owner of the LP Units and are not saleable or transferable without the Company's authorization. During the three months ended March 31, 2023 and 2022, there were no LP Units of JJ LP converted to common shares. As of March 31, 2023 and December 31, 2022, 43,821,379 LP Units of JJ LP were issued and outstanding, respectively.

Warrants

In connection with the NPA Amendment, the Company also issued Debt Modification Warrants to purchase 2,421.05 common shares of the Company for every \$1 principal amount of the 2023 Refinanced Notes held by each Holder, for a total aggregate of 91,999,901 Debt Modification Warrants. 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 issued was determined using the Black-Scholes option pricing model with the following assumptions at the time of issuance:

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%

All dollar amounts expressed in thousands, except per share amounts

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The following table summarizes the warrants that remain outstanding as of March 31, 2023:

<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
		101,045,592	

A rollforward of warrant activity for the three months ended March 31, 2023 was as follows:

<u>Warrants</u>	<u>Number of Warrants</u>	<u>Weighted Average Exercise Price</u>
Balance as of January 1, 2023	9,545,691	CAD\$ 1.01
Issued	91,999,901	0.09
Expired	(500,000)	0.33
Balance as of March 31, 2023	101,045,592	CAD\$ 0.18

Share-based Compensation

Under the Amended and Restated 2018 Stock and Incentive Plan, as amended from time to time (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 (“Eligible Persons”), as designated by the Company’s board of directors (the “Board”) or the compensation committee of the Board (the “Compensation Committee”). “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. 36,243,816 common shares are available for issuance under the 2018 Plan as of March 31, 2023.

Restricted Stock Units (“RSUs”)

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

<u>RSUs</u>	<u>Number of RSUs</u>	<u>Weighted Average Grant Date Fair Value</u>
Unvested as of January 1, 2023	2,742,765	\$ 0.25
Vested	(370,744)	0.13
Forfeited	(699,001)	0.11
Unvested as of March 31, 2023	1,673,020	\$ 0.34

During the three months ended March 31, 2023 and 2022, the Company recorded \$104 and \$519 of share-based compensation relating to RSUs, respectively. For the three months ended March 31, 2023 and 2022, the share-based compensation relating to RSUs included \$53 and \$257, respectively, related to the performance awards for achievement of milestones relating to the projects of its joint venture in CGSF Group, LLC (“CGSF”).

As of March 31, 2023, there was \$357 of remaining RSU expense to be recognized over the weighted average remaining period of 0.87 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 January 1, 2023	9,753,600	\$ 0.60	6.11
Forfeited	(147,013)	\$ 0.44	—
Balance as of March 31, 2023	9,606,587	\$ 0.60	5.87

For the three months ended March 31, 2023 and 2022, the Company recorded \$31 and \$81, respectively, of share-based compensation related to these options. As of March 31, 2023, there was \$160 of remaining expense to be recognized over the weighted average remaining period of 1.29 years.

The following table summarizes the share options that remain outstanding as of March 31, 2023:

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	5,733,989	\$ 0.30-0.48	June 25, 2030 - December 1, 2030	3,393,775
Other employee grants	3,682,598	\$ 0.41-3.96	June 17, 2024 - November 21, 2029	3,682,598
Total	9,606,587			7,266,373

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 January 1, 2023	10,632,378	\$ 0.30
Forfeited	(304,523)	0.18
Unvested as of March 31, 2023	10,327,855	\$ 0.30

During the three months ended March 31, 2023 and 2022, the Company recorded \$158 and \$626 of share-based compensation relating to PSUs, respectively. As of March 31, 2023, there was \$893 of remaining expense to be recognized over the weighted average remaining period of 1.44 years.

A summary of the PSU awards granted containing market conditions is as follows:

PSU Grant Dates	Closing Price on Grant Date	Expiration Date	Outstanding (#)
June 18, 2021	\$ 0.49	December 31, 2024	8,187,351
September 30, 2021	\$ 0.39	December 31, 2024	1,772,961
December 19, 2021	\$ 0.23	December 31, 2024	367,543
Total			10,327,855

All dollar amounts expressed in thousands, except per share amounts

14. Loss Per Share

The following is a calculation of basic and diluted loss per share for the three months ended March 31, 2023 and 2022:

Loss per share	Three Months Ended	
	March 31, 2023	March 31, 2022
Net loss attributable to TILT	\$ (4,875)	\$ (11,629)
Weighted-average number of shares and units outstanding - basic and diluted	377,697,175	374,607,212
Loss per share - basic and diluted	\$ (0.01)	\$ (0.03)

Diluted loss per share for the three ended March 31, 2023 and 2022 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:

	Three Months Ended	
	March 31, 2023	March 31, 2022
Loss before income taxes	\$ (3,540)	\$ (12,966)
Income tax (expense) benefit	(1,326)	1,332
Effective tax rate	37%	10%

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 IRC Section 280E. This results in permanent differences for ordinary and necessary business expenses deemed non-allowable under IRC Section 280E for income tax purposes. Therefore, the effective tax rate can be highly variable and may not necessarily correlate with pre-tax income or loss.

For year ended December 31, 2022, the Company had a U.S. federal capital loss carryforward of approximately \$31,971 and a U.S. state and local capital loss carryforward of approximately \$18,968, which will expire in 2025 if unused. As of December 31, 2022, the capital loss carryforwards are not likely to be realized. During the three months ended March 31, 2023, the Company completed the Pennsylvania Transaction which generated ordinary and capital gains of \$8,401 (see Note – 5 Property, Plant and Equipment for further details). The Company estimates that approximately \$6,264 of the gain from the sale will be offset by the net capital loss carryforward. Therefore, during the three months ended March 31, 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

16. Related Party Transactions

As of December 31, 2022, the Company had a payable of \$27,090 due to the Company's former Chief Executive Officer ("CEO") related to the acquisition of all assets and assumption of all liabilities of Jupiter. Of this amount, \$23,016 is included in notes payable and \$4,074 is included in accounts payable and accrued liabilities in the condensed consolidated balance sheet as of December 31, 2022. The \$23,016 included in notes payable was due on April 1, 2023 and bore interest at 8.0%. On February 15, 2023, the Company refinanced the payable as part of its 2023 Refinanced Notes. As of March 31, 2023, the balance of the payable was \$19,077, which is included in notes payable in the condensed consolidated balance sheet as of March 31, 2023. The payable bears interest at 16% or the prime rate plus 8.5% (16.5% as of March 31, 2023) and is due on February 15, 2026. The \$4,074 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 \$4,171 on the condensed consolidated balance sheet as of March 31, 2023. This payable bears interest at 16% or the prime rate plus 8.5% (16.5% as of March 31, 2023) and is due on February 15, 2027.

As of December 31, 2022, the Company had another payable of \$1,677 due to the Company's former CEO related to the issuance of the 2019 Senior Notes that was payable to a company partially owned and managed by the Company's former CEO. The payable bore interest at 8.0% and was included in notes payable in the condensed consolidated balance sheet as of December 31, 2022. On February 15, 2023, the 2019 Senior Notes were repaid and retired, and this payable was settled.

The Company also has a payable to a current Board member of \$1,879 as of March 31, 2023. Of this amount, \$1,542 is related to the 2023 Refinanced Notes and is included in notes payable in the condensed consolidated balance sheet as of March 31, 2023. This payable bears interest at 16.5% and is due on February 15, 2026. The remaining \$337 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, 2023. This payable bears interest at 16.5% and is due on February 15, 2027.

In connection with the 2023 Refinanced Notes, the Company issued 91,999,901 Debt Modification Warrants to the Holders. Of this amount, 45,539,951 Debt Modification Warrants were issued to the Company's former CEO, and 3,679,996 Debt Modification Warrants were issued to a current Board member.

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 SPV 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:

<u>Year ended December 31,</u>	<u>Amount</u>
Remainder of 2023	\$ 338
2024	463
2025	477
2026	492
2027	506
2028 and thereafter	522
Total	\$ 2,798

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.

All dollar amounts expressed in thousands, except per share amounts

In September 2020, the Company entered into a partial settlement agreement and release with O'Melveny & Myers LLP ("OMM") in respect of a previously disclosed arbitration instituted by OMM. Pursuant to initial arbitration documents, OMM claimed that the Company had failed to pay approximately \$3,100 in fees, of which an amount in excess of \$100 was specifically attributable to Baker matters. Pursuant to the settlement agreement and release, the Company agreed to pay \$100 in full and final settlement of the invoices outstanding for services rendered and costs incurred in the legal representation by OMM of those specific Baker matters, but not of the invoices concerning OMM's other representation of the Company. On March 19, 2020, OMM filed suit against the Company concerning its claims against the Company in the Supreme Court of British Columbia, and on August 10, 2020, the Company filed suit against OMM in San Francisco Superior Court, asserting its own claims against OMM and an OMM partner, and also concerning the alleged fees and costs still claimed by OMM. After OMM's British Columbia action was stayed on the ground of inconvenient forum, OMM answered the Company's complaint and asserted cross-claims to recover the alleged fees and costs of its representation of the Company. The parties executed a settlement agreement on November 30, 2022. The amount reserved for settlement is included in accounts payable and accrued liabilities in the condensed consolidated balance sheets.

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, the 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. and TILT Holdings US, Inc. 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. The parties are now participating in the court-ordered limited jurisdictional discovery period, which began on May 1, 2022. This limited discovery period is closed and defendants have filed their renewed motions to dismiss.

On November 13, 2020, VPR Brands, LP ("VPR") filed a lawsuit against Jupiter in the United States District Court in the District of Arizona. VPR claims infringement of several claims in United States Patent Number 8,205,622. Jupiter filed an Inter Partes Review ("IPR") as AIA Review No. : IPR2022-00299 on December 20, 2021 alleging that the patent claims involved in the suit are invalid. The request for IPR was denied on July 12, 2022 and a request on rehearing was denied on October 11, 2022. The parties filed a Joint Notice of Settlement dated April 7, 2023 and executed a settlement agreement on May 15, 2023.

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"), and Baker), (ii) accessories (Jupiter), (iii) corporate, and (iv) other (White Haven RE, LLC, SFNY, and CGSF). 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 corporate segment represents all corporate level and unallocated items and includes the Company's operating expenses and intercompany eliminations.

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.

All dollar amounts expressed in thousands, except per share amounts

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

	For the three months ended March 31, 2023				
	Cannabis	Accessories	Corporate	Other	Total
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 receivable losses	—	—	388	—	388
Net (loss) income	(6,648)	(2,650)	(3,613)	8,045	(4,866)

	For the three months ended March 31, 2022				
	Cannabis	Accessories	Corporate	Other	Total
Revenue	\$ 11,259	\$ 31,624	\$ —	\$ —	\$ 42,883
Inter-segment revenue	—	(531)	—	—	(531)
Net revenue	\$ 11,259	\$ 31,093	\$ —	\$ —	\$ 42,352
Share-based compensation	—	—	969	257	1,226
Depreciation and amortization	648	3,700	14	196	4,558
Wages and benefits	1,532	1,168	2,468	—	5,168
Impairment loss	697	—	—	—	697
Interest expense	87	238	2,456	—	2,781
Loan losses	—	—	517	—	517
Net loss	(1,221)	(4,701)	(5,380)	(332)	(11,634)

Geographic Areas

The following table presents financial information relating to geographic areas in which the Company operated for the three months ended March 31, 2023 and 2022, respectively:

	For the 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

	For the three months ended March 31, 2022			
	US	Canada	Other	Total
Revenue	\$ 39,907	\$ 2,295	\$ 150	\$ 42,352
Gross profit	8,627	669	57	9,353

All dollar amounts expressed in thousands, except per share amounts

19. Subsequent Events

The Company evaluated events subsequent to March 31, 2023 and concluded that no subsequent events have occurred that would require recognition or disclosure in the Financial Statements.

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, 2023, 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 “Disclosure 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 Part II, Item 1A. “Risk Factors” of this Quarterly Report on Form 10-Q, and Item 1A. “Risk Factors” of 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 39 states in the United States (“U.S.”), as well as Canada, Israel, 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

Debt Refinancing

On November 1, 2019, the Company and its subsidiaries, Jimmy Jang, L.P. (“JJ LP”), Baker Technologies, Inc. and subsidiaries (collectively, “Baker”), Commonwealth Alternative Care (“CAC”), and Jupiter entered into the Junior Secured Note Purchase Agreement (the “2019 Junior Notes NPA”) relating to the issuance of junior secured promissory notes (the “2019 Junior Notes”). On February 15, 2023 (the “Effective Date”), the Company and its subsidiaries, JJ LP, Baker, CAC, and Jupiter (collectively, the “Subsidiary Borrowers”) entered into a first amendment (the “NPA Amendment”) to 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 “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”). Neither the Company nor the Subsidiary Borrowers received any new proceeds from the Holders as a result of the NPA Amendment.

The 2023 Refinanced Notes mature on February 15, 2026, 36 months from the Effective Date, and bear interest at the greater of 16% or the prime rate plus 8.5% payable monthly. The interest rate is subject to increase by 1% annually if the aggregate principal amount outstanding under the 2023 Refinanced Notes is greater than \$30,000 on the first anniversary of the Effective Date or greater than \$22,000 on the second anniversary of the Effective Date.

Pursuant to the NPA Amendment, the Subsidiary Borrowers also issued by way of private placement secured promissory notes (“2023 New Notes”) in the aggregate principal amount of \$8,260 to the Holders with a maturity date of February 15, 2027, 48 months from the Effective Date. The consideration for the 2023 New Notes was paid by an offset of an existing unsecured obligation owed by the Subsidiary Borrowers to the Holders. The Noteholder Representative will also act as noteholder representative for the 2023 New Notes. The 2023 New Notes will bear interest at the greater of 16% or the prime rate plus 8.5% payable quarterly.

The Subsidiary Borrowers are obligated to pay an aggregate of \$5,000 of principal on the 2023 Refinanced Notes on each anniversary of the Effective Date of the 2023 Refinanced Notes, as well as an annual payment at the beginning of each calendar year the 2023 Refinanced Notes are outstanding that is equal to 50% of the Company’s unrestricted cash greater than \$10,000 at the end of the prior calendar year. The Subsidiary Borrowers are also obligated to make mandatory prepayments of net cash proceeds from asset sales, casualty and condemnation awards, future equity or debt issuances and the settlement of certain third-party assets.

No principal payments will be due on the 2023 New Notes before their maturity date unless and until the 2023 Refinanced Notes are paid in full. Once the 2023 Refinanced Notes are paid in full, the Subsidiary Borrowers’ obligations to make principal payments will be the same as previously existed under the 2023 Refinanced Notes and described above. Any interest or principal payments under the 2023 New Notes due before the maturity date of the 2023 Refinanced Notes may, at the Subsidiary Borrowers’ election, be paid by increasing the principal amount of the 2023 New Notes on a dollar-for-dollar basis.

The 2023 Refinanced Notes and the 2023 New Notes (collectively, the “2023 Notes”) are secured by a first priority security interest in all of the assets of the Subsidiary Borrowers, except that the Holders will receive a second priority security interest in the assets that are already pledged by Jupiter under its revolving credit facility with Entrepreneur Growth Capital, LLC. The 2023 Notes are also guaranteed by the Company and all subsidiaries of the Company. The equity interests in all subsidiaries of the Company have also been pledged as security for the obligations under the 2023 Refinanced Notes.

The Noteholder Representative will be paid \$2,000 over the term of the 2023 Refinanced Notes in quarterly installments.

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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 Notes may be accelerated and all remedies may be exercised by the Holders in case of an event of default under the 2023 Notes, which includes events that customarily constitute an event of default for debt securities of this type as well as upon a change of control, the termination of Dana Arvidson's employment for any reason and the failure by the Company to appoint a replacement for him within 90 days that is approved by the Noteholder Representative.

In connection with the NPA Amendment, the Company also issued to each Holder a warrant (each a "Debt Modification Warrant," collectively the "Debt Modification Warrants") to purchase 2,421.05 common shares of the Company for every \$1 principal amount of the 2023 Refinanced Notes held by each Holder, for a total aggregate of 91,999,901 Debt Modification Warrants. 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.

Pennsylvania Transaction

On February 15, 2023, the Company completed its previously announced sale-leaseback transaction with Innovative Industrial Properties, Inc. ("IIP") pertaining to its White Haven, Pennsylvania facility ("White Haven Facility") for \$15,000 with net proceeds used towards repayment of debt and working capital (the "Pennsylvania Transaction").

2019 Senior Notes Retired

On February 15, 2023, the Company repaid the remaining balance of the senior secured promissory notes issued on November 1, 2019 (the "2019 Senior Notes"), retiring the remainder of its 2019 senior debt facility previously extended to February 28, 2023, with no further obligations.

Amendment to Revolving Facility

On March 13, 2023, the Company, through its subsidiary Jupiter, entered into an amendment to its existing \$10,000 asset-based revolving credit facility (the "Revolving Facility") to increase the amount available under the Revolving Facility to \$12,500 and extend the maturity date to July 21, 2024. Additionally, borrowings under the Revolving Facility will bear interest at the prime rate plus 3%, and is secured by Jupiter's inventory, accounts receivable and related property. The amendment also includes a guaranty by the Company in the amount of \$6,000.

Certain Trends and Uncertainties

The Company's business, financial condition, and results of operations may be unfavorably impacted by the following trends and uncertainties. See also Item 1A. "Risk Factors" of the Form 10-K and Part II, Item 1A. "Risk Factors" of this Quarterly Report on Form 10-Q filed with the U.S. Securities and Exchange Commission ("SEC") and on SEDAR at www.sedar.com, for discussions of other risks that may affect the Company.

COVID-19 Pandemic and Global Conflicts

In March 2020, the World Health Organization categorized the coronavirus 2019 disease ("COVID-19") as a global pandemic. The Company continues to implement and evaluate actions to strengthen its financial position and support the continuity of its business and operations in response to the COVID-19 pandemic.

The impact of the COVID-19 pandemic and geopolitical conflicts, including the recent war in Ukraine, have created much uncertainty in the global marketplace. The Company is closely monitoring the ongoing impact of such events on all aspects of its business, including how it will impact its services, customers, employees, vendors, and business partners now and in the future. While the COVID-19 pandemic and recent geopolitical conflicts did not materially adversely affect the Company's financial results and business operations in the three months ended March 31, 2023, the Company is unable

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to predict the impact that these events will have on its future financial position and operating results due to numerous uncertainties.

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,	
	2023	2022
Revenues, net	\$ 42,264	\$ 42,352
Cost of goods sold	(33,468)	(32,999)
Gross profit	8,796	9,353
Operating loss	(7,622)	(7,482)
Total other income (expense)	4,082	(5,484)
Loss from operations before income tax and non-controlling interest	(3,540)	(12,966)
Net loss before non-controlling interest	(4,866)	(11,634)
Net (loss) income attributable non-controlling interest	(9)	5
Net loss attributable to TILT Holdings Inc.	(4,875)	(11,629)

Three Months Ended March 31, 2023 Compared to Three Months Ended March 31, 2022

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, 2023 was \$42,264, down from \$42,352 for the three months ended March 31, 2022, reflecting a year-over-year decrease of \$88 or 0.2%. The decrease was primarily attributable to Jupiter which decreased revenue by \$1,790 or 6%, mainly driven by a lower average price in certain product lines as market prices decreased due to increased competition. Partially offsetting Jupiter's revenue decrease, revenue in cannabis operations for the three months ended March 31, 2023 increased by \$1,702 or 15% year-over-year, primarily in Standard Farms PA and Standard Farms OH driven mainly by increased sales volume in brand partner product lines.

All dollar amounts expressed in thousands, except per share amounts

Cost of Goods Sold, Gross Profit and Gross Margin Percentage

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.

Cost of goods sold for the three months ended March 31, 2023 was \$33,468, up from \$32,999 for the three months ended March 31, 2022 reflecting a year-over-year increase of \$469 or 1%, driven mainly by increased sales volume in cannabis operations.

The Company's gross profit for the three months ended March 31, 2023 was \$8,796, down from \$9,353 for the three months ended March 31, 2022, which reflects a year-over-year decrease of \$557 or 6%. Gross margin was 21% and 22% for the three months ended March 31, 2023 and 2022, respectively. The decrease in gross profit and gross margin was mainly due to price compression in the Massachusetts cannabis market, partially offset by an increase in gross profit and gross margin at Jupiter driven primarily by lower cost of goods 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, 2023 and 2022:

	Three Months Ended March 31,	
	2023	2022
Wages and benefits	\$ 5,784	\$ 5,168
General and administrative	5,620	4,779
Sales and marketing	404	407
Share-based compensation	293	1,226
Depreciation and amortization	4,129	4,558
Impairment loss and loss on disposal of assets	188	697
Total operating expenses	\$ 16,418	\$ 16,835

Total operating expenses for the three months ended March 31, 2023 was \$16,418, a decrease of \$417 or 2% year-over-year from \$16,835. The decrease was primarily driven by reductions in share-based compensation, impairment loss and loss on disposal of assets, and depreciation and amortization. This was partially offset by an increase in general and administrative expense driven mainly by one-time bad debt, one-time tax expenses related to the Pennsylvania Transaction, and increases in last-mile delivery costs related to multiple warehouse locations, though the Company is in the process of consolidating product distribution infrastructure into fewer locations. Additionally, wages and benefits increased year-over-year mainly driven by increased retail headcount at CAC.

Impairment Losses

Impairment losses for the three months ended March 31, 2023, were \$188, a decrease of \$509 or 73% year-over-year driven mainly by a decrease in loss on disposal of assets. Additionally, during the three months ended March 31, 2023, it was determined that certain assets held for sale had a carrying value greater than their fair market value. As a result, the Company recorded an impairment loss of \$140 to bring these assets held for sale to fair market value.

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Total Other Income (Expense)

The following is a summary of the Company's total other income (expense) derived from the consolidated financial statements of the Company for the three months ended March 31, 2023 and 2022:

	Three Months Ended March 31,	
	2023	2022
Interest income	\$ 64	\$ 18
Other income	97	3
Change in fair value of warrant liability	-	(2,163)
Gain on sale of assets	8,401	1
Unrealized loss on investment	-	(45)
Loan receivable losses	(388)	(517)
Interest expense	(4,092)	(2,781)
Total other expense	\$ 4,082	\$ (5,484)

Other income for the three months ended March 31, 2023 was \$4,082, an increase of \$9,566 from other expense of \$5,484 for the three months ended March 31, 2022 primarily driven by the \$8,401 gain on sale of assets related to the Pennsylvania Transaction described in Note 5 – Property, Plant and Equipment and the \$2,163 decrease in non-cash expense due to the change in fair value of warrant liabilities due to no warrant liability for the period. Partially offsetting the above, interest expense increased \$1,311 year-over-year primarily driven by finance expense related to the lease liability at the Company's Taunton, Massachusetts cannabis facility.

Income Tax (Expense) Benefit

As the Company operates in the cannabis industry, it is subject to the limits of Section 280E of the Internal Revenue Code (the "IRC") 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 expense for the three months ended March 31, 2023 was \$1,326, an increase of \$2,658 from income tax benefit of \$1,332 for the three months ended March 31, 2022. See Note 15 – Income Taxes for further details.

Net Loss Attributable to TILT

The Company recorded net loss of \$4,875 for the three months ended March 31, 2023 compared to net loss of \$11,629 for the prior year, for a decrease in net loss of \$6,754 primarily driven by the \$9,566 increase in other income, and \$417 decrease in operating expense, partially offset by the \$2,658 increase in income tax expense \$557 decrease in gross profit.

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.

Sources and Uses of Cash

The Company's balance of cash and cash equivalents was \$3,891 as of March 31, 2023 compared to \$2,202 as of December 31, 2022. The Company requires cash to: (i) fund operating expenses, working capital requirements, and outlays for strategic acquisitions and investments, (ii) service debt, including principal and interest; (iii) conduct research and development; and (iv) incur capital expenditures.

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The Company is an early-stage growth company, generating cash primarily from revenue derived from the sale of its products, third-party debt, and proceeds from the sale and leaseback of certain of the Company's properties.

The following are some of the significant sources and uses of cash during the three months ended March 31, 2023:

- On February 15, 2023, the Company completed the Pennsylvania Transaction with gross proceeds of \$15,000.
- 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. Total proceeds from the Revolving Facility for the three months ended March 31, 2023 were \$27,316.
- Repayments on notes payable of \$39,398, of which \$11,325 was related to repayment of the 2019 Senior Notes and a portion of the 2019 Junior Notes.
- Payments made to a primary supplier of \$12,743.
- Payments made on U.S. import tariffs of \$3,103.
- Advances totaling \$2,059 to the borrower under the Little Beach Harvest note described in Note 8 – Loans Receivable.

Liquidity and Going Concern

The Company has experienced operating losses since its inception and expects to continue to incur losses in the development of its business. The Company incurred a comprehensive loss of \$4,877 during the three months ended March 31, 2023 and has an accumulated deficit of \$968,578 as of March 31, 2023. Additionally, as of March 31, 2023, the Company had positive working capital of \$16,166 (compared to negative working capital of \$39,570 as of December 31, 2022).

During the three months ended March 31, 2023, the Company completed the previously announced (i) Pennsylvania Transaction, (ii) refinancing of the 2019 Junior Notes and (iii) extension of the maturity date and increased the amount available under the Revolving Facility. For further details regarding these transactions, see Note 5 – Property, Plant and Equipment and Note 10 – Notes Payable, to the consolidated financial statements.

The Company's operating plans for the next 12 months include (i) 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; and (v) obtaining other financings as necessary.

The Company believes the actions discussed above will most likely occur, and that these actions 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, subsequent to Q1 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 must seek additional financing to satisfy the transition of the new payment terms and provide working capital for the business. As a result, 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. The financial statements do not include any adjustments that might become necessary should the Company be unable to continue as a going concern. See Part II, Item 1A, Risk Factors for further details.

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Cash Flows

The following table presents the Company's net cash inflows and outflows from the condensed consolidated financial statements:

	Three Months Ended	
	March 31, 2023	March 31, 2022
Net cash provided by operating activities	\$ 3,774	\$ 4,203
Net cash provided by (used in) investing activities	12,816	(775)
Net cash used in financing activities	(14,899)	(1,149)
Effect of foreign exchange on cash and cash equivalents	(2)	1
Net changes in cash and cash equivalents	\$ 1,689	\$ 2,280

For the three months ended March 31, 2023, cash was provided by (used in):

- Operating activities: \$3,774. The cash provided by operating activities for the three months ended March 31, 2023 decreased \$429 as compared to the three months ended March 31, 2022, mainly driven by the decrease in gross profit.
- Investing activities: \$12,816. The cash provided by investing activities for the three months ended March 31, 2023 increased \$13,591 from cash used in investing activities of \$775 for the three months ended March 31, 2022. The increase was mainly related to the proceeds from the Pennsylvania Transaction described in Note 12 — Leases.
- Financing activities: (\$14,899). The cash used in financing activities for the three months ended March 31, 2023 increased \$13,750 as compared to the three months ended March 31, 2022. The increase was mainly driven by the \$6,869 increase in repayments on notes payable primarily related to the retired 2019 Senior Notes and the 2023 Refinanced Notes which are described in Note 10 — Notes Payable. Additionally, there was a \$4,696 decrease in proceeds from notes payable mainly related to the timing of borrowings under the Revolving Facility.

Critical Accounting Estimates

There were no significant changes in the Company's significant accounting judgements and estimates during the three months ended March 31, 2023 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 of our audited consolidated financial statements for the years ended December 31, 2022 and 2021 in our 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 our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q.

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 our 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.

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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 Chief Financial Officer (“CFO”), as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure 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, 2023, an evaluation was performed under the supervision and with the participation of the Company’s management, including the CEO and 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, 2023.

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, 2023 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. 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, the 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 Finders’ 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. and TILT Holdings US, Inc. 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. The parties are now participating in the court-ordered limited jurisdictional discovery period, which began on May 1, 2022. This limited discovery period is closed and defendants have filed their renewed motions to dismiss.

On November 13, 2020, VPR Brands, LP (“VPR”) filed a lawsuit against Jupiter in the United States District Court in the District of Arizona. VPR claims infringement of several claims in United States Patent Number 8,205,622. Jupiter filed an Inter Partes Review (“IPR”) as AIA Review No.:IPR2022-00299 on December 20, 2021 alleging that the patent claims involved in the suit are invalid. The request for IPR was denied on July 12, 2022 and a request on rehearing was denied October 11, 2022. The parties filed a Joint Notice of Settlement dated April 7, 2023 and executed a settlement agreement on May 15, 2023.

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.sedar.com, and all information contained in this Quarterly Report on Form 10-Q, including our interim financial statements and the related notes thereto, before making a decision to purchase our securities.

Other than as described below, 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.

There is substantial doubt about our ability to continue as a going concern, and holders of our common shares could suffer a total loss of their investment. If we are unable to achieve our financial projections, we may need to raise additional capital to continue our operations. Such capital may not be available to us, or may not be available at terms we deem acceptable, either of which could reduce our ability to compete and could negatively affect our business.

Our history of losses and negative working capital raise substantial doubt regarding our ability to continue as a going concern, which may negatively impact the price of our common shares. If we are unable to continue as a going concern, we may have to liquidate our assets and may receive less than the value at which those assets are carried on our financial

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statements, and it is likely that investors will lose all or part of their investment. Further, the perception that we may be unable to continue as a going concern may impede our ability to pursue strategic opportunities or operate our business due to concerns regarding our ability to fulfill our contractual obligations. In addition, if there remains substantial doubt about our ability to continue as a going concern, investors or other financing sources may be unwilling to provide additional funding to us on commercially reasonable terms, or at all.

Additionally, we may not be able to access a portion of our existing cash, cash equivalents and investments due to market conditions. For example, Silicon Valley Bank was taken over by the Federal Deposit Insurance Corporation, which was appointed as the receiver of the bank. If other banks and financial institutions enter receivership or become insolvent in the future in response to financial conditions affecting the banking system and financial markets, our ability to access our existing cash, cash equivalents and investments may be threatened, which could have a material adverse effect on our business and financial condition. Any failure to meet our projections and/or delay to secure additional financing, or our ability to access our existing cash, cash equivalents and investments, could force us to delay, limit or terminate our operations, make further reductions in our workforce, liquidate all or a portion of our assets and/or seek protection under Chapters 7 or 11 of the United States Bankruptcy Code.

Subsequent to Q1 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 must seek additional financing to satisfy the transition of the new payment terms and provide working capital for the business. In addition, if we are unable to achieve our projections and/or unable to obtain additional sources of liquidity, management anticipates that our existing cash and cash equivalents and anticipated cash flows from operations will not be sufficient to meet our operating and liquidity needs for any meaningful period of time following the filing of this Quarterly Report on Form 10-Q. We will likely need to engage in equity or debt financing to secure additional funds. If we raise additional equity financing, shareholders would experience significant dilution of their ownership interests to the extent we issue a significant number of common shares, and we may experience a decline in the market price of the common shares. Our current debt requires us to pay the proceeds of any equity financing to our debtholders. Our current debt also contains restrictions on our future debt financing, but if we engage in future debt financing, the holders of debt would have priority over the holders of common shares, and we may be required to accept terms that restrict our operations or our ability to incur additional indebtedness or to take other actions that would otherwise be in the interests of the debt holders. In addition, adverse macroeconomic developments, including without limitation inflation, slowing economic growth, rising interest rates or a potential economic recession, may reduce our ability to access such capital and our ability to meet and exceed forecast. Any of the above could harm our business, results of operations and financial condition.

There can be no assurance that we will be able to achieve our forecast or to raise additional capital in sufficient amounts or on favorable terms, or at all. If we are unable to meet or exceed our forecast or raise adequate additional capital when required or in sufficient amounts or on terms acceptable to us, we may have to significantly reduce expenses, sell assets (potentially at a loss), cease operations altogether, pursue an acquisition of our company at a price that may result in up to a total loss on investment for our shareholders, file for bankruptcy or seek other protection from creditors, or liquidate all of our assets.

We may not successfully manage the transition of leadership associated with the resignation of our CEO, which could have an adverse impact on us.

On April 21, 2023, Gary F. Santo, Jr. resigned as CEO of the Company, and Tim Conder, a current Board member, was appointed Interim CEO. Mr. Conder has been a Board member since October 2019 and previously served as the Company's President and Chief Operating Officer from 2019 until 2020, following the Company's acquisition of its former business unit Blackbird, a cannabis software and services company co-founded by Mr. Conder.

Our success will depend, in part, on our management of the transition to, and integration of, the Interim CEO or a permanent successor, if appointed, and the effectiveness of the Interim CEO and the permanent successor, if appointed. There can be no assurance that we will be successful in finding a suitable permanent successor or in a timely manner. The CEO of the Company is critical to executing on and achieving our vision, strategic direction, culture, and products. The leadership transition may create uncertainty among employees, suppliers and customers, divert resources and management

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attention, impact public or market perception, our stock price or our performance, any of which could negatively impact our ability to operate effectively or execute our strategies and result in an adverse impact on our business.

We may not be able to maintain the trading of our common shares on the OTCQX, which could adversely affect the liquidity of our common shares and the trading volume and market price of our common shares, and decrease your investment.

Effective January 8, 2021, our common shares began trading, and are currently quoted, on the OTCQX International tier. To remain eligible for trading on the OTCQX International tier, we are required to maintain a minimum bid price of \$0.10 per share as of the close of business for at least one of every 30 consecutive calendar days, a market capitalization of at least \$5 million for at least one of every 30 consecutive calendar days, and at least two Market Makers publish priced quotations on OTC Link ATS within 90 days of the Company joining OTCQX. In the event that the Company's bid price, the market capitalization, or the number of Market Makers fall below the minimum criteria, a cure period of 180 calendar days to regain compliance shall begin, during which time the applicable criteria must be met for 10 consecutive trading days.

On December 16, 2022, we were notified by OTC Markets that the bid price for our common shares had closed below \$0.10 for more than 30 consecutive calendar days and no longer met the Standards for Continued Qualification for the OTCQX International tier, per the OTCQX Rules for International Companies.

The 180-calendar day cure period to regain compliance expires June 14, 2023. The Company has obtained an extension of the cure period to regain compliance until August 31, 2023. If at that time the Company's bid price has not stayed at or above the \$0.10 minimum bid price for ten consecutive trading days, then our common shares will be removed from OTCQX.

No assurance can be provided that we will be able to maintain continued trading of our common shares on OTCQX. Removal of our common shares from OTCQX may have an adverse effect on the market liquidity for our common shares, limiting the ability of broker-dealers to sell our common shares and shareholders to sell their shares in the secondary market. In addition, if our common shares are no longer quoted on the OTCQX, there can be no assurance that we will meet the eligibility criteria and requalify for quotation on the OTCQX.

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

The Company made no unregistered sales of securities during the quarter covered by this report that have not previously been disclosed on Form 8-K.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

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Item 6. Exhibits

<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.1†	Form of Warrant Certificate issued on February 15, 2023 (incorporated by reference to Exhibit 4.1 of the Company's Form 8-K filed with the SEC on February 16, 2023.)
10.2+	TILT Holdings Inc. Amended and Restated 2018 Stock and Incentive Plan (as last amended on April 25, 2023) (filed herewith).
10.3+	Form of TILT Holdings Inc. Amended and Restated 2018 Stock and Incentive Plan Stock Option Agreement (as last amended on April 25, 2023) (filed herewith)
10.4+	Form of TILT Holdings Inc. Amended and Restated 2018 Stock and Incentive Plan Restricted Stock Unit Agreement (as last amended on April 25, 2023) (filed herewith).
10.5	Form of TILT Holdings Inc. Amended and Restated 2018 Stock and Incentive Plan Performance Stock Unit Award Agreement (as last amended on April 25, 2023) (filed herewith).
10.6†+	Separation Agreement dated April 21, 2023 by and between TILT Holdings Inc. and Gary F. Santo, Jr. (incorporated by reference to Exhibit 10.1 filed with the SEC on April 25, 2023).
10.7†	First Amendment to Secured Note Purchase Agreement dated February 15, 2023 by and among TILT Holdings Inc., Jimmy Jang, L.P., Baker Technologies, Inc., Commonwealth Alternative Care, Inc., Jupiter Research, LLC, Jordan Geotas, as noteholder representative, and each of the purchasers and AP noteholders (includes the Conformed Secured Note Purchase Agreement, dated as of November 1, 2019, as amended) (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed with the SEC on February 16, 2023).
10.8†	Amended and Restated Pledge Agreement February 15, 2023 by and among TILT Holdings Inc., Jimmy Jang Holdings Inc., Jimmy Jang L.P., Jupiter Research, LLC, Baker Technologies, Inc., Sea Hunter Therapeutics, LLC, Commonwealth Alternative Care, Inc., SH Finance Company, LLC, JJ Blocker Co., SFNY Holdings, Inc., Standard Farms New York, LLC, CGSF Group, LLC, Standard Farms Ohio, LLC, Standard Farms LLC, and the other subsidiaries a party thereto, and Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed with the SEC on February 16, 2023).
10.9†	Amended and Restated Security Agreement dated February 15, 2023 by and among TILT Holdings Inc., Jimmy Jang Holdings Inc., Jimmy Jang L.P., Jupiter Research, LLC, Baker Technologies, Inc., Sea Hunter Therapeutics, LLC, Commonwealth Alternative Care, Inc., SH Finance Company, LLC, JJ Blocker Co., SFNY Holdings, Inc., Standard Farms New York, LLC, CGSF Group, LLC, Standard Farms Ohio, LLC, Standard Farms LLC and in favor of Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.3 of the Company's Form 8-K filed with the SEC on February 16, 2023).
10.10†	Amended and Restated Guaranty dated February 15, 2023, by and among TILT Holdings Inc., Jimmy Jang Holdings Inc., Jimmy Jang L.P., Jupiter Research, LLC, Baker Technologies, Inc., Sea Hunter Therapeutics, LLC, Commonwealth Alternative Care, Inc., SH Finance Company, LLC, JJ Blocker Co., SFNY Holdings, Inc., Standard Farms New York, LLC, CGSF Group, LLC, Standard Farms Ohio, LLC, Standard Farms LLC and in favor of Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.4 of the Company's Form 8-K filed with the SEC on February 16, 2023).
10.11†	Amended and Restated Canadian Security Agreement dated February 15, 2023, by TILT Holdings Inc., and in favor of Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.5 of the Company's Form 8-K filed with the SEC on February 16, 2023).
10.12#	Trademark Security Agreement dated February 15, 2023, by and among TILT Holdings Inc., Jupiter Research, LLC and Jordan Geotas, as noteholder representative. (incorporated by reference to Exhibit 10.6 of the Company's Form 8-K filed with the SEC on February 16, 2023).
10.13#	Canadian Trademark Security Agreement dated February 15, 2023, by and between Jupiter Research, LLC and Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.7 of the Company's Form 8-K filed with the SEC on February 16, 2023).

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<u>Exhibit No.</u>	<u>Description of Exhibit</u>
10.14#	Patent Security Agreement dated February 15, 2023, by and between Jupiter Research, LLC and Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.8 of the Company's Form 8-K filed with the SEC on February 16, 2023).
10.15#	Canadian Patent Security Agreement dated February 15, 2023, by and between Jupiter Research, LLC and Jordan Geotas, as noteholder representative (incorporated by reference to Exhibit 10.9 of the Company's Form 8-K filed with the SEC on February 16, 2023).
10.16	Form of 2023 Refinanced Notes (incorporated by reference to Exhibit 10.10 of the Company's Form 8-K filed with the SEC on February 16, 2023).
10.17	Form of 2023 New Notes (incorporated by reference to Exhibit 10.11 of the Company's Form 8-K filed with the SEC on February 16, 2023).
10.18	Fifth Amendment to Purchase And Sale Agreement And Joint Escrow Instructions, effective as of the 30th day of December 2022, by and between White Haven RE, LLC and IIP-PA 9 LLC (incorporated by reference to Exhibit 10.1 of the Company's Form 8-K filed with the SEC on January 3, 2023).
10.19	Form of Amendment No.4 to Senior Secured Promissory Note (incorporated by reference to Exhibit 10.2 of the Company's Form 8-K filed with the SEC on January 3, 2023).
18.1	Preferability Letter of Macias Gini & O'Connell LLP (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).
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.

Certain schedules and exhibits have been omitted from this filing pursuant to Item 601(a)(5) of Regulation S-K. A copy of any omitted schedule or exhibit will be furnished to the Securities and Exchange Commission upon request.

All dollar amounts expressed in thousands, except per share amounts

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, 2023

TILT HOLDINGS INC.

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

By: /s/ Dana R. Arvidson
Dana R. Arvidson
Chief Financial Officer
(Principal Financial Officer)

TILT HOLDINGS INC.
AMENDED AND RESTATED 2018 STOCK AND INCENTIVE PLAN

Section 1. Purpose

The purpose of the Plan is to promote the interests of the Company and its stockholders by aiding the Company in attracting and retaining employees, officers, consultants, advisors and Non-Employee Directors capable of assuring the future success of the Company, to offer such persons incentives to put forth maximum efforts for the success of the Company's business and to compensate such persons through various stock and cash-based arrangements and provide them with opportunities for stock ownership in the Company, thereby aligning the interests of such persons with the Company's stockholders.

Section 2. Definitions

As used in the Plan, the following terms shall have the meanings set forth below:

- (a) **"Affiliate"** shall mean any entity that, directly or indirectly through one or more intermediaries, is controlled by the Company within the meaning of the *British Columbia Business Corporations Act*.
 - (b) **"Award"** shall mean any Option, Stock Appreciation Right, Restricted Stock, Restricted Stock Unit, Performance Award, Dividend Equivalent or Other Stock-Based Award granted under the Plan.
 - (c) **"Award Agreement"** shall mean any written agreement, contract or other instrument or document evidencing an Award granted under the Plan (including a document in an electronic medium) executed in accordance with the requirements of Section 10(b).
 - (d) **"Board"** shall mean the Board of Directors of the Company.
 - (e) **"Code"** shall mean the U.S. Internal Revenue Code of 1986, as amended from time to time, and any regulations promulgated thereunder.
 - (f) **"Committee"** shall mean the Compensation Committee of the Board or such other committee designated by the Board to administer the Plan. Unless the Board of approves the Awards granted under the Plan for purposes of Rule 16b-3, the Committee shall be comprised of not less than such number of Directors as shall be required to permit Awards granted under the Plan to qualify under Rule 16b-3, and each member of the Committee shall be a **"non-employee director"** within the meaning of Rule 16b-3.
 - (g) **"Company"** shall mean TILT Holdings Inc., a British Columbia corporation, and any successor corporation.
 - (h) **"Consultant"** means, in relation to the Company, an individual or a Consultant Company, other than an Employee, Director or Officer of the Company, that:
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- (i) is engaged to provide on a continuous *bona fide* basis, consulting, technical, management or other services to the Company or to an Affiliate of the Company, other than services provided in relation to a distribution;
 - (ii) provides the services under a written contract between the Company or the Affiliate and the individual or the Consultant Company;
 - (iii) in the reasonable opinion of the Company, spends or will spend a significant amount of time and attention on the affairs and business of the Company or an Affiliate of the Company; and
 - (iv) has a relationship with the Company or an Affiliate of the Company that enables the individual to be knowledgeable about the business and affairs of the Company.
- (i) “**Consultant Company**” means for an individual Consultant, a company or partnership of which the individual is an employee, shareholder or partner.
 - (j) “**Director**” shall mean a member of the Board.
 - (k) “**Dividend Equivalent**” shall mean any right granted under Section 6(e) of the Plan.
 - (l) “**Effective Date**” shall mean the date the Plan is adopted by the Board, as set forth in Section 12.
 - (m) “**Eligible Person**” shall mean any employee, officer, Non-Employee Director, or Consultant providing services to the Company or any Affiliate, or any such person to whom an offer of employment or engagement with the Company or any Affiliate is extended.
 - (n) “**Exchange Act**” shall mean the U.S. Securities Exchange Act of 1934, as amended.
 - (o) “**Fair Market Value**” with respect to one Share as of any date shall mean (a) if the Shares are listed on the NEO or any established stock exchange, the price of one Share at the close of the regular trading session of such market or exchange on the last trading day prior to such date, if no sale of Shares shall have occurred on such date, on the next preceding date on which there was a sale of Shares. Notwithstanding the foregoing, in the event that the Shares are listed on the NEO, for the purposes of establishing the exercise price of any Options, the Fair Market Value shall not be lower than the greater of the closing of the market price of the Shares on the NEO on (a) the prior trading day, and (b) the date of grant of the Options; (b) if the Shares are not so listed on the NEO or any established stock exchange, the average of the closing “bid” and “ask” prices quoted by the OTC Bulletin Board, the National Quotation Bureau, or any comparable reporting service on such date or, if there are no quoted “bid” and “ask” prices on such date, on the next preceding date for which there are such quotes for a Share; or (c) if the Shares are not publicly traded as of such date, the per share value of one Share, as determined by the Board, or any duly authorized Committee of the Board, in its sole discretion, by applying principles of valuation with respect thereto.
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For any Participant that is subject to the tax laws of the United States of America, "Fair Market Value" shall be determined in a manner consistent with Section 409A.

- (p) "**Incentive Stock Option**" shall mean an option granted under Section 6(a) of the Plan that is intended to meet the requirements of Section 422 of the Code or any successor provision.
 - (q) "**NEO**" means the NEO Exchange.
 - (r) "**Non-Employee Director**" shall mean a Director who is not also an employee of the Company or any Affiliate.
 - (s) "**Non-Qualified Stock Option**" shall mean an option granted under Section 6(a) of the Plan that is not intended to be an Incentive Stock Option.
 - (t) "**Option**" shall mean an Incentive Stock Option or a Non-Qualified Stock Option to purchase Shares.
 - (u) "**Other Stock-Based Award**" shall mean any right granted under Section 6(f) of the Plan.
 - (v) "**Participant**" shall mean an Eligible Person designated to be granted an Award under the Plan.
 - (w) "**Performance Award**" shall mean any right granted under Section 6(d) of the Plan.
 - (x) "**Person**" shall mean any individual or entity, including a corporation, partnership, limited liability company, association, joint venture or trust.
 - (y) "**Plan**" shall mean the Company's Amended and Restated 2018 Stock and Incentive Plan, as amended on June 24, 2020, June 9, 2022, April 25, 2023 and amended from time to time.
 - (z) "**Restricted Stock**" shall mean any Share granted under Section 6(c) of the Plan.
 - (aa) "**Restricted Stock Unit**" shall mean any unit granted under Section 6(c) of the Plan evidencing the right to receive a Share (or a cash payment equal to the Fair Market Value of a Share) at some future date, provided that in the case of Participants who are liable to taxation under the *Tax Act* in respect of amounts payable under this Plan, that such date shall not be later than December 31 of the third calendar year following the year services were performed in respect of the corresponding Restricted Stock Unit awarded.
 - (bb) "**Section 409A**" shall mean Section 409A of the Code, or any successor provision, and applicable Treasury Regulations and other applicable guidance thereunder.
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- (cc) “**Share**” or “**Shares**” shall mean common shares, without par value, in the capital of the Company (or such other securities or property as may become subject to Awards pursuant to an adjustment made under Section 4(c) of the Plan).
- (dd) “**Specified Employee**” shall mean a specified employee as defined in Section 409A(a)(2)(B) of the Code or applicable proposed or final regulations under Section 409A, determined in accordance with procedures established by the Company and applied uniformly with respect to all plans maintained by the Company that are subject to Section 409A.
- (ee) “**Stock Appreciation Right**” shall mean any right granted under Section 6(b) of the Plan.
- (ff) “**Tax Act**” means the *Income Tax Act* (Canada).

Section 3. Administration

- (a) Power and Authority of the Committee. The Plan shall be administered by the Committee. Subject to the express provisions of the Plan and to applicable law, the Committee shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards to be granted to each Participant under the Plan; (iii) determine the number of Shares to be covered by (or the method by which payments or other rights are to be calculated in connection with) each Award; (iv) determine the terms and conditions of any Award or Award Agreement, including any terms relating to the forfeiture of any Award and the forfeiture, recapture or disgorgement of any cash, Shares or other amounts payable with respect to any Award; (v) amend the terms and conditions of any Award or Award Agreement, subject to the limitations under Section 7; (vi) accelerate the exercisability of any Award or the lapse of any restrictions relating to any Award, subject to the limitations’ in Section 7, (vii) determine whether, to what extent and under what circumstances Awards may be exercised in cash, Shares, other securities, other Awards or other property (excluding promissory notes), or canceled, forfeited or suspended, subject to the limitations in Section 7; (viii) determine whether, to what extent and under what circumstances amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or the Committee, subject to the requirements of Section 409A; (ix) interpret and administer the Plan and any instrument or agreement, including an Award Agreement, relating to the Plan; (x) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (xi) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan; and (xii) adopt such modifications, rules, procedures and subplans as may be necessary or desirable to comply with provisions of the laws of the jurisdictions in which the Company or an Affiliate may operate, including, without limitation, establishing any special rules for Affiliates, Eligible Persons or Participants located in any particular country, in order to meet the objectives of the Plan and to ensure the viability of the intended benefits of Awards granted to Participants located in such non-United States jurisdictions. Unless otherwise expressly provided in the Plan, all designations, determinations, interpretations and other decisions under or with respect to the Plan or any Award or Award Agreement shall be within the sole
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discretion of the Committee, may be made at any time and shall be final, conclusive and binding upon any Participant, any holder or beneficiary of any Award or Award Agreement, and any employee of the Company or any Affiliate.

- (b) Delegation. The Committee may delegate to one or more officers or Directors of the Company, subject to such terms, conditions and limitations as the Committee may establish in its sole discretion, the authority to grant Awards; *provided, however*, that the Committee shall not delegate such authority in such a manner as would cause the Plan not to comply with applicable exchange rules or applicable corporate law.
- (c) Power and Authority of the Board. Notwithstanding anything to the contrary contained herein, (i) the Board may, at any time and from time to time, without any further action of the Committee, exercise the powers and duties of the Committee under the Plan, unless the exercise of such powers and duties by the Board would cause the Plan not to comply with the requirements of all applicable securities rules and (ii) only the Committee (or another committee of the Board comprised of directors who qualify as independent directors within the meaning of the independence rules of any applicable securities exchange where the Shares are then listed) may grant Awards to Directors who are not also employees of the Company or an Affiliate.
- (d) Indemnification. To the full extent permitted by law, (i) no member of the Board, the Committee or any person to whom the Committee delegates authority under the Plan shall be liable for any action or determination taken or made in good faith with respect to the Plan or any Award made under the Plan, and (ii) the members of the Board, the Committee and each person to whom the Committee delegates authority under the Plan shall be entitled to indemnification by the Company with regard to such actions and determinations. The provisions of this paragraph shall be in addition to such other rights of indemnification as a member of the Board., the Committee or any other person may have by virtue of such person's position with the Company.

Section 4. Shares Available for Awards

- (a) Shares Available. Subject to adjustment as provided in Section 4(c) of the Plan, the aggregate number of Shares that may be issued under all Awards under the Plan shall be 60,000,000. The aggregate number of Shares that may be issued under all Awards under the Plan shall be reduced by Shares subject to Awards issued under the Plan in accordance with the Share counting rules described in Section 4(b) below.
 - (b) Counting Shares. For purposes of this Section 4, if an Award entitles the holder thereof to receive or purchase Shares, the number of Shares covered by such Award or to which such Award relates shall be counted on the date of grant of such Award against the aggregate number of Shares available for granting Awards under the Plan.
 - (i) Shares Added Back to Reserve. If any Shares covered by an Award or to which an Award relates are not purchased or are forfeited or are reacquired by the Company (including any Shares withheld by the Company or Shares
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tendered to satisfy any tax withholding obligation on Awards or Shares covered by an Award that are settled in cash), or if an Award otherwise terminates or is cancelled without delivery of any Shares, then the number of Shares counted against the aggregate number of Shares available under the Plan with respect to such Award, to the extent of any such forfeiture, reacquisition by the Company, termination or cancellation, shall again be available for granting Awards under the Plan.

- (ii) Cash-Only Awards. Awards that do not entitle the holder thereof to receive or purchase Shares shall not be counted against the aggregate number of Shares available for Awards under the Plan.
 - (iii) Substitute Awards Relating to Acquired Entities. Shares issued under Awards granted in substitution for awards previously granted by an entity that is acquired by or merged with the Company or an Affiliate shall not be counted against the aggregate number of Shares available for Awards under the Plan.
- (c) Adjustments. In the event that any dividend (other than a regular cash dividend) or other distribution (whether in the form of cash, Shares, other securities or other property), recapitalization, stock split, reverse stock split, reorganization, merger, consolidation, split-up, spin-off, combination, repurchase or exchange of Shares or other securities of the Company, issuance of warrants or other rights to purchase Shares or other securities of the Company or other similar corporate transaction or event affects the Shares such that an adjustment is necessary in order to prevent dilution or enlargement of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and type of Shares (or other securities or other property) that thereafter may be made the subject of Awards, (ii) the number and type of Shares (or other securities or other property) subject to outstanding Awards, (iii) the purchase price or exercise price with respect to any Award and (iv) the limitations contained in Section 4(d) below; *provided, however*, that the number of Shares covered by any Award or to which such Award relates shall always be a whole number. Such adjustment shall be made by the Committee or the Board, whose determination in that respect shall be final, binding and conclusive.
- (d) Additional Award Limitations. The total number of Shares which may be issued or issuable to any one Person under the Plan and all other security based compensation arrangements within any one-year period shall not exceed 5% of the Shares then outstanding. For the purposes of this Section, the number of Shares then outstanding shall mean the number of Shares outstanding on a non-diluted basis immediately prior to the proposed grant of the applicable Award. Under this Plan “**security based compensation arrangements**” shall mean any compensation or incentive mechanism (such as option plans, restricted share plans, stock purchase plans) involving the issuance or potential issuances of securities of the Company from treasury.

Section 5. Eligibility

Any Eligible Person shall be eligible to be designated as a Participant. In determining which Eligible Persons shall receive an Award and the terms of any Award, the Committee may take into account the nature of the services rendered by the respective Eligible Persons, their present and potential contributions to the success of the Company and/or such other factors as the Committee, in its discretion, shall deem relevant. Notwithstanding the foregoing, an Incentive Stock Option may only be granted to full-time or part-time employees (which term, as used herein, includes, without limitation, officers and Directors who are also employees), and an Incentive Stock Option shall not be granted to an employee of an Affiliate unless such Affiliate is also a "subsidiary corporation" of the Company within the meaning of Section 424(f) of the Code or any successor provision.

Section 6. Awards

- (a) Options. The Committee is hereby authorized to grant Options to Eligible Persons with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan, as the Committee shall determine:
- (i) Exercise Price. The purchase price per Share purchasable under an Option shall be determined by the Committee and shall not be less than 100% of the Fair Market Value of a Share on the date of grant of such Option; *provided, however*, that the Committee may designate a purchase price below Fair Market Value on the date of grant if the Option is granted in substitution for a stock option previously granted by an entity that is acquired by or merged with the Company or an Affiliate.
 - (ii) Option Term. The term of each Option shall be fixed by the Committee at the date of grant but shall not be longer than 10 years from the date of grant. Notwithstanding the foregoing, in the event that the expiry date of an Option falls within a trading blackout period imposed by the Company (a "**Blackout Period**"), and neither the Company nor the individual in possession of the Options is subject to a cease trade order in respect of the Company's securities, then the expiry date of such Option shall be automatically extended to the 10th business day following the end of the Blackout Period.
 - (iii) Time and Method of Exercise. The Committee shall determine the time or times at which an Option may be exercised in whole or in part and the method or methods by which, and the form or forms, including, but not limited to, cash, Shares (actually or by attestation), other securities, other Awards or other property, or any combination thereof, having a Fair Market Value on the exercise date equal to the applicable exercise price, in which payment of the exercise price with respect thereto may be made or deemed to have been made.
 - (A) Promissory Notes. Notwithstanding the foregoing, the Committee may not permit payment of the exercise price, either in whole or in part, with a promissory note.
 - (B) Net Exercises. The Committee may, in its discretion, permit an Option to be exercised by delivering to the Participant a number of
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Shares having an aggregate Fair Market Value (determined as of the date of exercise) equal to the excess, if positive, of the Fair Market Value of the Shares underlying the Option being exercised on the date of exercise, over the exercise price of the Option for such Shares.

- (iv) Incentive Stock Options. Notwithstanding anything in the Plan to the contrary, the following additional provisions shall apply to the grant of stock options which are intended to qualify as Incentive Stock Options:
- (A) The Committee will not grant Incentive Stock Options in which the aggregate Fair Market Value (determined as of the time the Option is granted) of the Shares with respect to which Incentive Stock Options are exercisable for the first time by any Participant during any calendar year (under this Plan and all other plans of the Company and its Affiliates) shall exceed \$100,000 or such other limitation as imposed by Section 422(d) of the Code or any successor provision. To the extent that Incentive Stock Options are first exercisable by a Participant in excess of such limitation, such excess shall be considered Non-Qualified Stock Options.
 - (B) All Incentive Stock Options must be granted within ten years from the earlier of the date on which this Plan was adopted by the Committee or the date this Plan was approved by the stockholders of the Company.
 - (C) Unless sooner exercised, all Incentive Stock Options shall expire and no longer be exercisable no later than 10 years after the date of grant; *provided, however*, that in the case of a grant of an Incentive Stock Option to a Participant who, at the time such Option is granted, owns (within the meaning of Section 422 of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of its Affiliates, such Incentive Stock Option shall expire and no longer be exercisable no later than five years from the date of grant.
 - (D) The purchase price per Share for an Incentive Stock Option shall be not less than 100% of the Fair Market Value of a Share on the date of grant of the Incentive Stock Option; *provided, however*, that, in the case of the grant of an Incentive Stock Option to a Participant who, at the time such Option is granted, owns (within the meaning of Section 422 of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company or of its Affiliates, the purchase price per Share purchasable under an Incentive Stock Option shall be not less than 110% of the Fair Market Value of a Share on the date of grant of the Incentive Stock Option.
 - (E) Any Incentive Stock Option authorized under the Plan shall contain such other provisions as the Committee shall deem advisable, but
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shall in all events be consistent with and contain all provisions required in order to qualify the Option as an Incentive Stock Option.

- (F) Subject to adjustment as provided in Section 4(c), the maximum number of Shares that may be awarded under the Plan as Incentive Stock Options is 50,000,000 Shares.
- (b) Stock Appreciation Rights. The Committee is hereby authorized to grant Stock Appreciation Rights to Eligible Persons subject to the terms of the Plan and any applicable Award Agreement. A Stock Appreciation Right granted under the Plan shall confer on the holder thereof a right to receive upon exercise thereof the excess of (i) the Fair Market Value of one Share on the date of exercise over (ii) the grant price of the Stock Appreciation Right as specified by the Committee, which price shall not be less than 100% of the Fair Market Value of one Share on the date of grant of the Stock Appreciation Right; *provided, however*, that, subject to applicable law and stock exchange rules, the Committee may designate a grant price below Fair Market Value on the date of grant if the Stock Appreciation Right is granted in substitution for a stock appreciation right previously granted by an entity that is acquired by or merged with the Company or an Affiliate. Subject to the terms of the Plan and any applicable Award Agreement, the grant price, term, methods of exercise, dates of exercise, methods of settlement and any other terms and conditions of any Stock Appreciation Right shall be as determined by the Committee (except that the term of each Stock Appreciation Right shall be subject to the same limitations in Section 6(a)(ii) applicable to Options). The Committee may impose such conditions or restrictions on the exercise of any Stock Appreciation Right as it may deem appropriate.
- (c) Restricted Stock and Restricted Stock Units. The Committee is hereby authorized to grant an Award of Restricted Stock and Restricted Stock Units to Eligible Persons with the following terms and conditions and with such additional terms and conditions not inconsistent with the provisions of the Plan as the Committee shall determine:
- (i) Restrictions. Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to vote a Share of Restricted Stock or the right to receive any dividend or other right or property with respect thereto), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise as the Committee may deem appropriate. Notwithstanding the foregoing, rights to dividend or Dividend Equivalent payments shall be subject to the limitations described in Section 6(e).
- (ii) Issuance and Delivery of Shares. Any Restricted Stock granted under the Plan shall be issued at the time such Awards are granted and may be evidenced in such manner as the Committee may deem appropriate, including book-entry registration or issuance of a stock certificate or certificates, which certificate or certificates shall be held by the Company or held in nominee name by the stock transfer agent or brokerage service selected by the Company to provide such services for the Plan. Such certificate or certificates shall be registered in the name of the Participant
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and shall bear an appropriate legend referring to the restrictions applicable to such Restricted Stock. Shares representing Restricted Stock that are no longer subject to restrictions shall be delivered (including by updating the book-entry registration) to the Participant promptly after the applicable restrictions lapse or are waived. In the case of Restricted Stock Units, no Shares shall be issued at the time such Awards are granted. Upon the lapse or waiver of restrictions and the restricted period relating to Restricted Stock Units evidencing the right to receive Shares, such Shares shall be issued and delivered to the holder of the Restricted Stock Units.

- (iii) Forfeiture. Except as otherwise determined by the Committee or as provided in an Award Agreement, upon a Participant's termination of employment or service or resignation or removal as a Director (in either case, as determined under criteria established by the Committee) during the applicable restriction period, all Shares of Restricted Stock and all Restricted Stock Units held by such Participant at such time shall be forfeited and reacquired by the Company for cancellation at no cost to the Company; *provided, however*, that the Committee may waive in whole or in part any or all remaining restrictions with respect to Shares of Restricted Stock or Restricted Stock Units.
 - (d) Performance Awards. The Committee is hereby authorized to grant Performance Awards to Eligible Persons. A Performance Award granted under the Plan (i) may be denominated or payable in cash, Shares (including, without limitation, Restricted Stock and Restricted Stock Units), other securities, other Awards or other property and (ii) shall confer on the holder thereof the right to receive payments, in whole or in part, upon the achievement of one or more objective performance goals during such performance periods as the Committee shall establish. Subject to the terms of the Plan, the performance goals to be achieved during any performance period, the length of any performance period, the amount of any Performance Award granted, the amount of any payment or transfer to be made pursuant to any Performance Award and any other terms and conditions of any Performance Award shall be determined by the Committee.
 - (e) Dividend Equivalents. The Committee is hereby authorized to grant Dividend Equivalents to Eligible Persons under which the Participant shall be entitled to receive payments (in cash, Shares, other securities, other Awards or other property as determined in the discretion of the Committee) equivalent to the amount of cash dividends paid by the Company to holders of Shares with respect to a number of Shares determined by the Committee. Subject to the terms of the Plan and any applicable Award Agreement, such Dividend Equivalents may have such terms and conditions as the Committee shall determine. Notwithstanding the foregoing, (i) the Committee may not grant Dividend Equivalents to Eligible Persons in connection with grants of Options, Stock Appreciation Rights or other Awards the value of which is based solely on an increase in the value of the Shares after the date of grant of such Award, and (ii) dividend and Dividend Equivalent amounts may be accrued but shall not be paid unless and until the date on which all conditions or restrictions relating to such Award have been satisfied, waived or lapsed.
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- (f) Other Stock-Based Awards. The Committee is hereby authorized to grant to Eligible Persons such other Awards that are denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares), as are deemed by the Committee to be consistent with the purpose of the Plan. The Committee shall determine the terms and conditions of such Awards, subject to the terms of the Plan and any applicable Award Agreement. No Award issued under this Section 6(f) shall contain a purchase right or an option-like exercise feature.
- (i) General Consideration for Awards. Awards may be granted for no cash consideration or for any cash or other consideration as may be determined by the Committee or required by applicable law.
- (ii) Limits on Transfer of Awards. Except as otherwise provided by the Committee in its discretion and subject to such additional terms and conditions as it determines, no Award (other than fully vested and unrestricted Shares issued pursuant to any Award) and no right under any such Award shall be transferable by a Participant other than by will or by the laws of descent and distribution, and no Award (other than fully vested and unrestricted Shares issued pursuant to any Award) or right under any such Award may be pledged, alienated, attached or otherwise encumbered, and any purported pledge, alienation, attachment or encumbrance thereof shall be void and unenforceable against the Company or any Affiliate. Where the Committee does permit the transfer of an Award other than a fully vested and unrestricted Share, such permitted transfer shall be for no value and in accordance with all applicable securities rules. The Committee may also establish procedures as it deems appropriate for a Participant to designate a person or persons, as beneficiary or beneficiaries, to exercise the rights of the Participant and receive any property distributable with respect to any Award in the event of the Participant's death.
- (iii) Restrictions; Securities Exchange Listing. All Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such restrictions as the Committee may deem advisable under the Plan, applicable federal or state securities laws and regulatory requirements, and the Committee may cause appropriate entries to be made with respect to, or legends to be placed on the certificates for, such Shares or other securities to reflect such restrictions. The Company shall not be required to deliver any Shares or other securities covered by an Award unless and until the requirements of any federal or state securities or other laws, rules or regulations (including the rules of any securities exchange) as may be determined by the Company to be applicable are satisfied.
- (iv) Prohibition on Option and Stock Appreciation Right Repricing. Except as provided in Section 4(c) hereof, the Committee may not, without prior approval of the Company's stockholders and applicable stock exchange approval, seek to effect any repricing of any previously granted, "underwater" Option or Stock Appreciation Right by: (i) amending or modifying the terms of the Option or Stock Appreciation Right to lower the
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exercise price; (ii) canceling the underwater Option or Stock Appreciation Right and granting either (A) replacement Options or Stock Appreciation Rights having a lower exercise price; or (B) Restricted Stock, Restricted Stock Units, Performance Award or Other Stock-Based Award in exchange; or (iii) cancelling or repurchasing the underwater Option or Stock Appreciation Right for cash, or other securities. An Option or Stock Appreciation Right will be deemed to be "underwater" at any time when the Fair Market Value of the Shares covered by such Award is less than the exercise price of the Award.

- (v) Section 409A Provisions. Notwithstanding anything in the Plan or any Award Agreement to the contrary, to the extent that any amount or benefit that constitutes "deferred compensation" to a Participant under Section 409A and applicable guidance thereunder is otherwise payable or distributable to a Participant under the Plan or any Award Agreement solely by reason of the occurrence of a change in control or due to the Participant's disability or "separation from service" (as such term is defined under Section 409A), such amount or benefit will not be payable or distributable to the Participant by reason of such circumstance unless the Committee determines in good faith that (i) the circumstances giving rise to such change in control event, disability or separation from service meet the definition of a change in control event, disability, or separation from service, as the case may be, in Section 409A(a)(2)(A) of the Code and applicable proposed or final regulations, or (ii) the payment or distribution of such amount or benefit would be exempt from the application of Section 409A by reason of the short-term deferral exemption or otherwise. Any payment or distribution that otherwise would be made to a Participant who is a Specified Employee (as determined by the Committee in good faith) on account of separation from service may not be made before the date which is six months after the date of the Specified Employee's separation from service (or if earlier, upon the Specified Employee's death) unless the payment or distribution is exempt from the application of Section 409A by reason of the short-term deferral exemption or otherwise.

If an Award is subject to Section 409A, the Company intends (but cannot and does not guarantee) that the Award Agreement and this Plan comply with and meet all of the requirements of Section 409A or an exception thereto and the Award Agreement shall include such provisions, in addition to the provisions of this Plan, as may be necessary to assure compliance with Section 409A or an exception thereto. Under no circumstances may the time or schedule of any payment for any Award that is subject to the requirements of Section 409A be accelerated or subject to further deferral except as otherwise permitted or required pursuant to regulations and other guidance issued pursuant to Section 409A. If the Company fails to make any payment pursuant to the payment provisions applicable to an Award that is subject to Section 409A, either intentionally or unintentionally, within the time period specified in such provisions, but the payment is made within the same calendar year, such payment will be treated as made within the specified time period. In addition, in the event of a dispute with respect to any payment, such payment may be delayed in accordance with the regulations and other guidance issued pursuant to Section 409A.

Notwithstanding any of the foregoing, the Company makes no representations or warranty and shall have no liability to the Participant or any other person if any provisions or payments, compensation or other benefits under the Plan are determined to constitute nonqualified deferred compensation subject to Section 409A but do not satisfy the provisions thereof.

- (vi) Acceleration of Vesting or Exercisability. No Award Agreement shall accelerate the exercisability of any Award or the lapse of restrictions relating to any Award in connection with a change-in-control event, unless such acceleration occurs upon the consummation of (or effective immediately prior to the consummation of, *provided that* the consummation subsequently occurs) such change-in-control event.

Section 7. Amendment and Termination; Corrections

- (a) Amendments to the Plan and Awards. The Committee may from time to time amend, suspend or terminate this Plan, and the Committee may amend the terms of any previously granted Award, *provided that* no amendment to the terms of any previously granted Award may (except as expressly provided in the Plan) materially and adversely alter or impair the terms or conditions of the Award previously granted to a Participant under this Plan without the written consent of the Participant or holder thereof. Any amendment to this Plan, or to the terms of any Award previously granted, is subject to compliance with all applicable laws, rules, regulations and policies of any applicable governmental entity or securities exchange, including receipt of any required approval from the governmental entity or stock exchange. For greater certainty and without limiting the foregoing, the Committee may amend, suspend, terminate or discontinue the Plan, and the Committee may amend or alter any previously granted Award, as applicable, without obtaining the approval of stockholders of the Company in order to:
 - (i) amend the eligibility for, and limitations or conditions imposed upon, participation in the Plan;
 - (ii) amend any terms relating to the granting or exercise of Awards, including but not limited to terms relating to the amount and payment of the exercise price, or the vesting, expiry, assignment or adjustment of Awards, or otherwise waive any conditions of or rights of the Company under any outstanding Award, prospectively or retroactively;
 - (iii) make changes that are necessary or desirable to comply with applicable laws, rules, regulations and policies of any applicable governmental entity or stock exchange (including amendments to Awards necessary or desirable to avoid any adverse tax results under Section 409A), and no action taken to comply shall be deemed to impair or otherwise adversely alter or impair the rights of any holder of an Award or beneficiary thereof; or
 - (iv) amend any terms relating to the administration of the Plan, including the terms of any administrative guidelines or other rules related to the Plan.
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Notwithstanding the foregoing and for greater certainty, prior approval of the stockholders of the Company shall be required for any amendment to the Plan or an Award that would:

- (i) require stockholder approval under the rules or regulations of a securities exchange that is applicable to the Company;
 - (ii) permit repricing of Options or Stock Appreciation Rights, which is currently prohibited by Section 6(g)(iv) of the Plan;
 - (iii) permit the award of Options or Stock Appreciation Rights at a price less than 100% of the Fair Market Value of a Share on the date of grant of such Option or Stock Appreciation Right, contrary to the provisions of Section 6(a)(i) and Section 6(b) of the Plan;
 - (iv) permit Options to be transferable other than for normal estate settlement purposes;
 - (v) amend this Section 7(a); or
 - (vi) increase the maximum term permitted for Options and Stock Appreciation Rights as specified in Section 6(a) and Section 6(b) or extend the terms of any Options beyond their original expiry date.
- (b) Corporate Transactions. In the event of any reorganization, merger, consolidation, split-up, spin-off, combination, plan of arrangement, take-over bid or tender offer, repurchase or exchange of Shares or other securities of the Company or any other similar corporate transaction or event involving the Company (or the Company shall enter into a written agreement to undergo such a transaction or event), the Committee or the Board may, in its sole discretion, provide for any of the following to be effective upon the consummation of the event (or effective immediately prior to the consummation of the event, *provided that* the consummation of the event subsequently occurs), and no action taken under this Section 7(b) shall be deemed to impair or otherwise adversely alter the rights of any holder of an Award or beneficiary thereof:
- (i) either (A) termination of the Award, whether or not vested, in exchange for an amount of cash and/or other property, if any, equal to the amount that would have been attained upon the exercise of the vested portion of the Award or realization of the Participant's vested rights (and, for the avoidance of doubt, if, as of the date of the occurrence of the transaction or event described in this Section 7(b)(i) (A), the Committee or the Board determines in good faith that no amount would have been attained upon the exercise of the Award or realization of the Participant's rights, then the Award may be terminated by the Company without any payment) or (B) the replacement of the Award with other rights or property selected by the Committee or the Board, in its sole discretion;
 - (ii) that the Award be assumed by the successor or survivor corporation, or a parent or subsidiary thereof, or shall be substituted for by similar options, rights or awards covering the stock of the successor or survivor
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corporation, or a parent or subsidiary thereof, with appropriate adjustments as to the number and kind of shares and prices;

- (iii) that, subject to Section 6(g)(vi), the Award shall be exercisable or payable or fully vested with respect to all Shares covered thereby, notwithstanding anything to the contrary in the applicable Award Agreement; or
 - (iv) that the Award cannot vest, be exercised or become payable after a date certain in the future, which may be the effective date of the event.
- (c) Correction of Defects, Omissions and Inconsistencies. The Committee may, without prior approval of the stockholders of the Company, correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any Award or Award Agreement in the manner and to the extent it shall deem desirable to implement or maintain the effectiveness of the Plan.

Section 8. Income Tax Withholding

In order to comply with all applicable federal, state, local or foreign income tax laws or regulations, the Company may take such action as it deems appropriate to ensure that all applicable federal, state, local or foreign payroll, withholding, income or other taxes, which are the sole and absolute responsibility of a Participant, are withheld or collected from such Participant. Without limiting the foregoing, in order to assist a Participant in paying all or a portion of the applicable taxes to be withheld or collected upon exercise or receipt of (or the lapse of restrictions relating to) an Award, the Committee or its delegate, in its discretion and subject to such additional terms and conditions as it may adopt, may permit the Participant to satisfy such tax obligation by (a) electing to have the Company withhold a portion of the Shares otherwise to be delivered upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes (subject to any applicable limitations under ASC Topic 718 to avoid adverse accounting treatment) or (b) delivering to the Company Shares other than Shares issuable upon exercise or receipt of (or the lapse of restrictions relating to) such Award with a Fair Market Value equal to the amount of such taxes. The election, if any, must be made on or before the date that the amount of tax to be withheld is determined.

Section 9. [Reserved]

Section 10. General Provisions

- (a) No Rights to Awards. No Eligible Person, Participant or other Person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of Eligible Persons, Participants or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to any Participant or with respect to different Participants.
 - (b) Award Agreements. No Participant shall have rights under an Award granted to such Participant unless and until an Award Agreement shall have been signed by the Participant (if requested by the Company), or until such Award Agreement is delivered and accepted through an electronic medium in accordance with procedures established by the Company. An Award Agreement need not be signed by a representative of the Company unless required by the Committee. Each Award Agreement shall be subject to the applicable terms and conditions of the
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Plan and any other terms and conditions (not inconsistent with the Plan) determined by the Committee.

- (c) Plan Provisions Control. In the event that any provision of an Award Agreement conflicts with or is inconsistent in any respect with the terms of the Plan as set forth herein or subsequently amended, the terms of the Plan shall control.
 - (d) No Rights of Stockholders. Except with respect to Shares issued under Awards (and subject to such conditions as the Committee may impose on such Awards pursuant to Section 6(c)(i) or Section 6(e)), neither a Participant nor the Participant's legal representative shall be, or have any of the rights and privileges of, a stockholder of the Company with respect to any Shares issuable upon the exercise or payment of any Award, in whole or in part, unless and until such Shares have been issued.
 - (e) No Limit on Other Compensation Arrangements. Nothing contained in the Plan shall prevent the Company or any Affiliate from adopting or continuing in effect other or additional compensation plans or arrangements, and such plans or arrangements may be either generally applicable or applicable only in specific cases.
 - (f) No Right to Employment. The grant of an Award shall not be construed as giving a Participant the right to be retained as an employee of the Company or any Affiliate, nor will it affect in any way the right of the Company or an Affiliate to terminate a Participant's employment at any time, with or without cause, in accordance with applicable law. In addition, the Company or an Affiliate may at any time dismiss a Participant from employment free from any liability or any claim under the Plan or any Award, unless otherwise expressly provided in the Plan or in any Award Agreement. Nothing in this Plan shall confer on any person any legal or equitable right against the Company or any Affiliate, directly or indirectly, or give rise to any cause of action at law or in equity against the Company or an Affiliate. Under no circumstances shall any person ceasing to be an employee of the Company or any Affiliate be entitled to any compensation for any loss of any right or benefit under the Plan which such employee might otherwise have enjoyed but for termination of employment, whether such compensation is claimed by way of damages for wrongful or unfair dismissal, breach of contract or otherwise. By participating in the Plan, each Participant shall be deemed to have accepted all the conditions of the Plan and the terms and conditions of any rules and regulations adopted by the Committee and shall be fully bound thereby.
 - (g) Governing Law. The internal law, and not the law of conflicts, of British Columbia shall govern all questions concerning the validity, construction and effect of the Plan or any Award, and any rules and regulations relating to the Plan or any Award.
 - (h) Severability. If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal or unenforceable in any jurisdiction or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the purpose or intent of the Plan or the Award, such
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provision shall be stricken as to such jurisdiction or Award, and the remainder of the Plan or any such Award shall remain in full force and effect.

- (i) No Trust or Fund Created. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Company or any Affiliate and a Participant or any other Person. To the extent that any Person acquires a right to receive payments from the Company or any Affiliate pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Company or any Affiliate.
- (j) Other Benefits. No compensation or benefit awarded to or realized by any Participant under the Plan shall be included for the purpose of computing such Participant's compensation or benefits under any pension, retirement, savings, profit sharing, group insurance, disability, severance, termination pay, welfare or other benefit plan of the Company, unless required by law or otherwise provided by such other plan.
- (k) No Fractional Shares. No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash shall be paid in lieu of any fractional Share or whether such fractional Share or any rights thereto shall be canceled, terminated or otherwise eliminated.
- (l) Headings. Headings are given to the sections and subsections of the Plan solely as a convenience to facilitate reference. Such headings shall not be deemed in any way material or relevant to the construction or interpretation of the Plan or any provision thereof.

Section 11. Clawback or Recoupment

All Awards under this Plan shall be subject to recovery or other penalties pursuant to (i) any Company clawback policy, as may be adopted or amended from time to time, or (ii) any applicable law, rule or regulation or applicable stock exchange rule.

Section 12. Effective Date of the Plan

The Plan was adopted by the Committee effective as of November 21, 2018. The Plan shall be subject to approval by the stockholders of the Company which approval will be within 12 months after the date the Plan is adopted by the Committee.

Section 13. Term of the Plan

No Award shall be granted under the Plan, and the Plan shall terminate, on the earlier of (i) November 21, 2028 or (ii) the tenth anniversary of the date the Plan is approved by the stockholders of the Company, or any earlier date of discontinuation or termination established pursuant to Section 7(a) of the Plan. Unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such dates, and the authority of the Committee provided for hereunder with respect to the Plan and any Awards, and the authority of the Committee to amend the Plan, shall extend beyond the termination of the Plan.

**TILT HOLDINGS INC. (THE "COMPANY")
 AMENDED AND RESTATED 2018 STOCK AND INCENTIVE PLAN
 NOTICE OF STOCK OPTION GRANT**

You have been granted the following option to purchase Shares of TILT Holdings Inc. (the "Company"):

Name of Optionee: _____

Total Number of Shares subject to the Option: _____ Shares

Type of Option: Incentive Stock Option (employees only)
 Non-Qualified Stock Option

Exercise Price Per Share: CA\$ ____ (the "Exercise Price")

Vesting Terms: Subject to Section 6 of the attached Stock Option Agreement, this Option shall vest and become exercisable on the first business day on or coincident to the applicable vesting date on the following vesting schedule

Vesting Date	Number of Shares subject to the Option

Expiration Date:

By your signature and the signature of the Company's representative below, you and the Company agree that this option is granted under and governed by the terms and conditions of the Company's Amended and Restated 2018 Stock and Incentive Plan, as it may be amended from time to time (the "**Plan**"), and the attached Stock Option Agreement, both of which are made a part of this document.

OPTIONEE: TILT HOLDINGS INC.

 By: _____

Name: _____ Name: _____

Print Name: _____ Title: _____

**TILT HOLDINGS INC.
AMENDED AND RESTATED 2018 STOCK AND INCENTIVE PLAN
STOCK OPTION AGREEMENT**

SECTION 1. GRANT OF OPTION.

(a) **Option.** On the terms and conditions set forth in the Notice of Stock Option Grant and this Agreement, the Company grants to the Optionee on the Date of Grant the option to purchase at the Exercise Price the number of Shares set forth in the Notice of Stock Option Grant. This option is intended to be an Incentive Stock Option (ISO) or a Non-Qualified Stock Option (NSO), as provided in the Notice of Stock Option Grant. The Exercise Price is agreed to be at least 100% of the Fair Market Value per Share on the Date of Grant (110% of Fair Market Value if this option is designated as an ISO in the Notice of Stock Option Grant and the Optionee is a 10% owner as described in Section 6 of the Plan).

(b) **\$100,000 Limitation.** Even if this option is designated as an ISO in the Notice of Stock Option Grant, it shall be deemed to be an NSO to the extent (and only to the extent) required by the \$100,000 annual limitation under Section 422(d) of the Code.

(c) **Plan and Defined Terms.** This option is granted pursuant to the Plan, a copy of which the Optionee acknowledges having received. The provisions of the Plan are incorporated into this Agreement by this reference. Capitalized terms are defined in Section 9 of this Agreement, unless otherwise defined in Section 2 of the Plan.

SECTION 2. RIGHT TO EXERCISE.

(a) **In General.** Subject to any other conditions of this Agreement, all or part of this option may be exercised prior to its expiration at the time or times set forth in the Notice of Stock Option Grant. Fractional share interests shall be disregarded, but may be cumulated.

(b) **No Right to Service.** The vesting schedule applicable to this option requires continued employment or service through each applicable vesting date as a condition to the vesting of the applicable installment of this option and the rights and benefits under this Stock Option Agreement. Employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Optionee to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 6 below or under the Plan. Nothing contained in this Stock Option Agreement or the Plan constitutes a continued employment or service commitment by the Company or any of its Affiliates, affects the Optionee's status, if he or she is an employee, as an employee at will who is subject to termination without cause, confers upon the Optionee any right to remain employed by or in service to the Company or any Affiliate, interferes in any way with the right of the Company or any Affiliate at any time to terminate such employment or service, or affects the right of the Company or any Affiliate to increase or decrease the Optionee's other compensation. Nothing in the preceding sentence, however, is intended to adversely affect any independent contractual right of the Optionee without his/her consent thereto.

(c) **Change in Control.** This option, to the extent then outstanding and otherwise unvested, shall accelerate and become fully vested and exercisable upon (or, if necessary to give effect to the acceleration, immediately prior to) a Change in Control.

SECTION 3. NO TRANSFER OR ASSIGNMENT OF OPTION.

Except as otherwise provided in this Agreement, this option and the rights and privileges conferred hereby shall not be sold, pledged or otherwise transferred (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment, levy or similar process.

SECTION 4. EXERCISE PROCEDURES.

(a) **Notice of Exercise.** The Optionee or the Optionee's representative may exercise this option by giving written notice to the Company. The notice shall specify the election to exercise this option, the number of

Shares for which it is being exercised and the form of payment. The notice shall be signed by the person exercising this option. In the event that this option is being exercised by the representative of the Optionee, the notice shall be accompanied by proof (satisfactory to the Company) of the representative's right to exercise this option. The Optionee or the Optionee's representative shall deliver to the Company, at the time of giving the notice, payment in a form permissible under Section 5 of this Agreement for the full amount of the Purchase Price.

(b) **Issuance of Shares.** After receiving a proper notice of exercise, the Company shall cause to be issued Shares (either in certificate or book entry form, as determined by the Company) as to which this option has been exercised, registered in the name of the person exercising this option (or in the names of such person and his or her spouse as community property or as joint tenants with right of survivorship).

(c) **Withholding Taxes.** In the event that the Company determines that it is required to withhold any tax as a result of the exercise of this option, the Optionee, as a condition to the exercise of this option, shall make arrangements satisfactory to the Company to enable it to satisfy all withholding requirements. The Optionee shall also make arrangements satisfactory to the Company to enable it to satisfy any withholding requirements that may arise in connection with the vesting or disposition of Shares purchased by exercising this option, which may include withholding the appropriate amount necessary from any compensation paid to Optionee. In addition, the Company, in its discretion, may withhold Shares otherwise issuable to the Optionee as a result of an exercise of this option equal to the amount of value needed by the Company to satisfy its tax withholding obligations.

SECTION 5. PAYMENT FOR STOCK.

(a) **Cash.** All or part of the Purchase Price may be paid in cash or cash equivalents.

(b) **Surrender of Stock.** Subject to applicable corporate and securities laws, and stock exchange requirements, all or any part of the Purchase Price may be paid by surrendering, or attesting to the ownership of, Shares that are already owned by the Optionee. Such Shares shall be surrendered to the Company in good form for cancellation and shall be valued at their Fair Market Value on the date when this option is exercised. The Optionee shall not surrender, or attest to the ownership of, Shares in payment of the Purchase Price if such action would cause the Company to recognize compensation expense (or additional compensation expense) with respect to this option for financial reporting purposes.

(c) **Exercise/Sale.** If Shares are publicly traded, all or part of the Purchase Price and any withholding taxes may be paid by the delivery (on a form prescribed by the Company) of an irrevocable direction to a securities broker approved by the Company to sell Shares and to deliver all or part of the sales proceeds to the Company.

(d) **Net Exercise.** The Company may, in its discretion, permit or require that an Option to be exercised by delivering to the Optionee a number of Shares having an aggregate Fair Market Value (determined as of the date of exercise) equal to the excess, if positive, of the Fair Market Value of the Shares underlying the Option being exercised on the date of exercise, over the Purchase Price of the Option for such Shares.

SECTION 6. TERM AND EXPIRATION.

(a) **Basic Term.** This option shall in any event expire on the expiration date set forth in the Notice of Stock Option Grant, which date shall not exceed ten years after the Date of Grant (five years after the Date of Grant if this option is designated as an ISO in the Notice of Stock Option Grant, and the Optionee is a 10% owner as described in Section 6 of the Plan).

(b) **Termination of Service (Except by Death or Disability).** If the Optionee's service terminates for any reason other than death or Disability, then this option shall expire on the earliest of the following occasions:

- (i) The expiration date determined pursuant to Subsection (a) above; or
- (ii) The date three months after the termination of the Optionee's service for any reason other than Cause; or
- (iii) The date of termination of the Optionee's service for Cause.

The Optionee may exercise all or part of this option at any time before its expiration under the preceding sentence, but only to the extent that this option is then exercisable. In the event that the Optionee dies after termination of service but before the expiration of this option, all or part of this option may be exercised (prior to expiration) by the executors or administrators of the Optionee's estate or by any person who has acquired this option directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that this option had become exercisable before the Optionee's death. For avoidance of doubt, if the Optionee is employed by an Affiliate that is sold or otherwise ceases to be an Affiliate of the Company, the Optionee shall incur a termination of service.

(c) **Death or Disability of the Optionee.** If the Optionee dies or becomes Disabled while in service, then this option shall expire on the earlier of the following dates:

- (i) The expiration date determined pursuant to Subsection (a) above; or
- (ii) The date 12 months after the Optionee's death or Disability.

In the event of Optionee's death, all or part of this option may be exercised at any time before its expiration under the preceding sentence by the executors or administrators of the Optionee's estate or by any person who has acquired this option directly from the Optionee by beneficiary designation, bequest or inheritance, but only to the extent that this option had become exercisable before the Optionee's death.

(d) **Leaves of Absence.** For any purpose under this Agreement, service shall be deemed to continue while the Optionee is on a bona fide leave of absence, if such leave was approved by the Company in writing and if continued crediting of service for such purpose is expressly required by the terms of such leave or by applicable law (as determined by the Company).

SECTION 7. ADJUSTMENT OF SHARES.

In the event of any transaction described in Section 4(c) of the Plan, the terms of this option (including, without limitation, the number and kind of Shares subject to this option and the Exercise Price) shall be adjusted as set forth in Section 4(c) of the Plan. In the event that the Company is a party to any corporate transaction, this option may be subject to termination, settlement and/or adjustment as provided in Section 7(b) of the Plan.

SECTION 8. MISCELLANEOUS PROVISIONS.

(e) **Rights as a Shareholder.** Neither the Optionee nor the Optionee's representative shall have any rights as a shareholder with respect to any Shares subject to this option until the Optionee or the Optionee's representative becomes entitled to receive such Shares by filing a notice of exercise and paying the Purchase Price pursuant to Sections 4 and 5 of this Agreement.

(f) **Compliance Matters.** The Company may require from the Optionee such investment representation, undertaking or agreement, if any, as the Company may consider necessary in order to comply with applicable laws and policies of any applicable exchange. The Optionee understands and acknowledges that Shares to be issued upon exercise of this option may be issued subject to any restrictive legend or other transfer restrictions as may be required by applicable securities laws and stock exchange requirements.

(g) **No Retention Rights.** Nothing in this option or in the Plan shall confer upon the Optionee any right to continue in service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Affiliate employing or retaining the Optionee) or of the Optionee, which rights are hereby expressly reserved by each, to terminate his or her service at any time and for any reason, with or without Cause.

(h) **Incorporation of Policies.** This option and all compensation awarded under this Agreement shall be subject to the terms of any clawback, noncompetition, confidentiality or nondisclosure policies or agreements as may be in place between the Optionee and the Company or any Affiliate from time to time.

(i) **Notice.** Any notice required by the terms of this Agreement shall be given in writing and notice to the Company shall be deemed effective upon receipt by the Company (i) upon personal delivery, (ii) through registered or certified mail with postage and fees prepaid; or (iii) through electronic notification using a form and process

approved by the Company. If mailed or delivered, notice to the Company shall be addressed to the Company at its principal executive office and notice to the Optionee shall be addressed to the address that he or she most recently provided to the Company.

(j) **Entire Agreement.** The Notice of Stock Option Grant, this Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

(k) **Choice of Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the Province of British Columbia, as such laws are applied to contracts entered into and performed in the Province of British Columbia.

(l) **Satisfaction of Rights With Respect to Equity.** This option is in complete satisfaction of any and all rights that the Optionee may have (under an employment, consulting, or other written or oral agreement with the Company or any of its Affiliates, or otherwise) to receive (i) stock options or stock awards with respect to the securities of the Company or any of its Affiliates, and/or (2) any other equity or derivative security in or with respect to the Company or any of its Affiliates. This Agreement supersedes the terms of all prior understandings and agreements, written or oral, of the parties with respect to such matters. The Participant shall have no further rights or benefits under any prior agreement conveying any right with respect to any security or derivative security in or with respect to the Company or any of its Affiliates. The foregoing notwithstanding, this Section 8(h) shall not adversely affect the Optionee's rights under any prior stock option or stock award agreement under the Plan (provided such agreement is expressly labeled as a stock option or stock award agreement under the Plan and is similar in form to this Agreement) which has been signed by an authorized officer of the Company or as a stockholder of the Company (to the extent such shares are owned and held of record by the Optionee, on the Company's books, as of the date hereof).

(m) **No Advice Regarding Grant.** The Optionee is hereby advised to consult with his or her own tax, legal and/or investment advisors with respect to any advice the Optionee may determine is needed or appropriate with respect to this option (including, without limitation, to determine the foreign, state, local, estate and/or gift tax consequences with respect to this option and any shares that may be acquired upon exercise of this option). Neither the Company nor any of its officers, directors, affiliates or advisors makes any representation (except for the terms and conditions expressly set forth in this Agreement and in the Plan) or recommendation with respect to this option. Except for the withholding rights contemplated by this Agreement, the Optionee is solely responsible for any and all tax liability that may arise with respect to this option and any shares that may be acquired upon exercise of this option.

(n) **Investment Intent.** The Participant acknowledges that the acquisition of any securities to be issued hereunder is for investment purposes without a view to distribution thereof.

(o) **Representations and Warranties of the Participant.** By accepting this Agreement, the Participant represents, warrants and acknowledges that he or she has read and understands the Plan and agrees to the terms and conditions thereof and of this Agreement and further agrees and acknowledges that: (i) the effect of certain provisions of the Plan and this Agreement could result in the early forfeiture and termination of unvested Options in certain prescribed circumstances; (ii) his or her participation in this grant of Options is voluntary; and (iii) that he or she has not been induced to participate in the Plan by expectation of engagement, appointment, employment, continued engagement, continued appointment or continued employment, as applicable, with the Company or its Affiliates.

SECTION 9. DEFINITIONS.

In addition to the definitions set forth in the Plan, the following terms shall have the meanings ascribed herein (in the event a conflict exists, the meaning set forth in this Agreement shall prevail):

- (a) **"Agreement"** shall mean this Stock Option Agreement.
- (b) **"Cause"** shall mean:

(i) If the Optionee is a party to a written employment agreement with the Company or an Affiliate that defines the term “Cause” in the context of the Optionee’s employment, the meaning given to such term in such written employment agreement; otherwise, “Cause” shall mean

(ii) the Committee determines, based on the information then known to it, that the Optionee (A) has failed to competently and diligently perform the Optionee’s duties with the Company or any Affiliate (other than due to physical or mental illness of the Optionee); (B) has committed or engaged in a felony (under the laws of the United States or any relevant state, or a similar crime or offense under the applicable laws of any relevant foreign jurisdiction) or any misdemeanor (and, in the case of a misdemeanor, such misdemeanor could reasonably be injurious to the Company or any Affiliate); (C) has engaged in an act of fraud, dishonesty or other act of willful misconduct (including without limitation, embezzlement, misappropriation or breach of fiduciary duty resulting or intending to result in personal gain at the expense of the Company or any of its subsidiaries); (D) has violated any applicable law, rule or regulation in the course of his or her duties for the Company or an Affiliate; (E) has breached any confidentiality, non-solicitation or non-competition obligation to the Company or any Affiliate, breached any other obligation owed to the Company or any Affiliate under any agreement with the Company or any Affiliate, breached any fiduciary duty owed to the Company or an Affiliate, or breached any applicable policy of the Company or any Affiliate; or (F) the Optionee has failed to maintain any applicable professional license or certification.

(c) **“Change in Control”** means the occurrence of any of the following after the Effective Date:

(i) Any “person” (as such term is used in Sections 13(d) and 14(d) of the Exchange Act, a “Person” for purposes of this definition), alone or together with its affiliates and associates, including any group of persons which is deemed a “person” under Section 13(d)(3) of the Exchange Act (other than the Company or any subsidiary thereof or any employee benefit plan (or related trust) of the Company or any subsidiary thereof, or any underwriter in connection with a firm commitment public offering of the Company’s capital stock), becomes the “beneficial owner” (as such term is defined in Rule 13d-3 of the Exchange Act, except that a person shall also be deemed the beneficial owner of all securities which such person may have a right to acquire, whether or not such right is presently exercisable, referred to herein as “Beneficially Own” or “Beneficial Owner” as the context may require) of thirty-three and one third percent or more of (A) the then outstanding common shares of the Company (“Outstanding Company Common Shares”) or (B) securities representing thirty-three and one-third percent or more of the combined voting power of the Company’s then outstanding voting securities (“Outstanding Company Voting Securities”) (in each case, other than an acquisition in the context of a merger, consolidation, reorganization, asset sale or other extraordinary transaction covered by, and which does not constitute a Change in Control event under, clause (ii) below);

(ii) A change, during any period of two consecutive years, of a majority of the Board as constituted as of the beginning of such period, unless the election, or nomination for election by the Company’s stockholders, of each director who was not a director at the beginning of such period was approved by vote of at least two-thirds of the Incumbent Directors then in office (for purposes hereof, “Incumbent Directors” shall consist of the directors holding office as of the Effective Date and any person becoming a director subsequent to such date whose election, or nomination for election by the Company’s stockholders, is approved by a vote of at least a majority of the Incumbent Directors then in office);

(iii) Consummation of any merger, consolidation, reorganization or other extraordinary transaction (or series of related transactions) involving the Company, a sale or other disposition of all or substantially all of the assets of the Company, or the acquisition of assets or stock of another entity by the Company or any of its subsidiaries (each, a “Business Combination”), in each case unless, following such Business Combination, (A) all or substantially all of the individuals and entities that were the Beneficial Owners of the Outstanding Company Common Shares and the Outstanding Company Voting Securities immediately prior to such Business Combination Beneficially Own, directly or indirectly, more than 50% of the then-outstanding shares of common

stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Company or all or substantially all of the Company's assets directly or through one or more subsidiaries (a "Parent")), (B) no Person (excluding any entity resulting from such Business Combination or a Parent or any employee benefit plan (or related trust) of the Company or such entity resulting from such Business Combination or Parent, and excluding any underwriter in connection with a firm commitment public offering of the Company's capital stock) Beneficially Owns, directly or indirectly, more than thirty-three and one third percent of, respectively, the then-outstanding shares of common stock of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such entity, and (C) at least a majority of the members of the board of directors or trustees of the entity resulting from such Business Combination or a Parent were Incumbent Directors at the time of the execution of the initial agreement or of the action of the Board providing for such Business Combination; or

(iv) The stockholders of the Company approve a plan of complete liquidation or dissolution of the Company (other than in the context of a merger, consolidation, reorganization, asset sale or other extraordinary transaction covered by, and which does not constitute a Change in Control event under, clause (iii) above).

(d) "**Date of Grant**" shall mean the date specified in the Notice of Stock Option Grant.

(e) "**Disability**" means "disability" within the meaning of Section 22(e)(3) of the Code.

(f) "**Exercise Price**" shall mean the amount for which one Share may be purchased upon exercise of this option, as specified in the Notice of Stock Option Grant.

(g) "**Notice of Stock Option Grant**" shall mean the document so entitled to which this Agreement is attached.

(h) "**Optionee**" shall mean the individual named in the Notice of Stock Option Grant.

(i) "**Purchase Price**" shall mean the Exercise Price multiplied by the number of Shares with respect to which this option is being exercised.

**TILT HOLDINGS INC.
AMENDED AND RESTATED 2018 STOCK AND INCENTIVE PLAN
NOTICE OF RESTRICTED STOCK UNIT GRANT**

You have been granted the following Restricted Stock Units (“RSUs”) of TILT Holdings Inc. (the “Company”) on _____ (the “RSUs Grant Date”):

Name of Participant:

[Subject] (the “Participant”)

Total Number of RSUs Granted:

Vesting Dates:

Date (each Business Day coincident with or following the date below, a “Vesting Date”)	Number of RSUs

Vesting Terms:

On each Vesting Date, the Participant must be providing service as a member of the Company.

By your signature and the signature of the Company’s representative below, you and the Company agree that these RSUs are granted under and governed by the terms and conditions of the Company’s Amended and Restated 2018 Stock and Incentive Plan, as it may be amended from time to time (the “Plan”), and the attached Restricted Stock Unit Award Agreement, both of which are made a part of this document.

PARTICIPANT:

TILT HOLDINGS INC.

By: _____
Title: _____

TILT HOLDINGS INC.
AMENDED AND RESTATED 2018 STOCK AND INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT

SECTION 1. GRANT OF RESTRICTED STOCK UNITS.

(a) **Restricted Stock Units.** On the terms and conditions set forth in the Notice of Restricted Stock Unit Grant and this Agreement, the Company grants to the Participant on the RSUs Grant Date the number of RSUs set forth in the Notice of Restricted Stock Unit Grant.

(b) **Plan and Defined Terms.** These RSUs are granted pursuant to the Plan, a copy of which the Participant acknowledges having received. The provisions of the Plan are incorporated into this Agreement by this reference. Capitalized terms are defined in Section 8 of this Agreement, unless otherwise defined in Section 2 of the Plan.

SECTION 2. RESTRICTIONS.

(a) **No Issuance.** In the case of the RSUs, no Shares shall be issued at the RSUs Grant Date.

(b) **No Right to Service.** Nothing contained in this Agreement or the Plan constitutes a continued employment or service commitment by the Company or any of its Affiliates, affects the Participant's status, if he or she is an employee, as an employee at will who is subject to termination without cause, confers upon the Participant any right to remain employed by or in service to the Company or any Affiliate, interferes in any way with the right of the Company or any Affiliate at any time to terminate such employment or service, or affects the right of the Company or any Affiliate to increase or decrease the Participant's other compensation. Nothing in the preceding sentence, however, is intended to adversely affect any independent contractual right of the Participant without his/her consent thereto.

SECTION 3. NO TRANSFER OR ASSIGNMENT OF RESTRICTED STOCK UNITS.

Except as otherwise provided in this Agreement, the RSUs and the rights and privileges conferred hereby shall not be sold, pledged or otherwise transferred (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment, levy or similar process.

SECTION 4. VESTING TERMS.

(a) **Vesting Dates.** The RSUs granted hereby shall vest on each of Vesting Date as set forth in the Notice of Restricted Stock Unit Grant.

(b) **Issuance of Shares.** Upon vesting of the RSUs on each Vesting Date, the Company shall cause to be issued Shares in accordance with the Vesting Terms set forth in the Notice of Restricted Stock Unit Grant (either in certificate or book entry form, as determined by the Company), registered in the name of the Participant (or in the names of such person and his or her spouse as community property or as joint tenants with right of survivorship). For each vested RSU, the Participant shall receive one Share.

(c) **Withholding Taxes.** In the event that the Company determines that it is required to withhold any tax as a result of the vesting of the RSUs, the Participant, as a condition to the vesting of the RSUs, shall make arrangements satisfactory to the Company to enable it to satisfy

all withholding requirements. The Participant shall also make arrangements satisfactory to the Company to enable it to satisfy any withholding requirements that may arise in connection with the vesting or disposition of the Shares issued upon vesting of the RSUs, which may include withholding the appropriate amount necessary from any compensation paid to Participant. In addition, the Company, in its discretion, may withhold Shares otherwise issuable to the Participant as a result of the vesting RSUs equal to the amount of value needed by the Company to satisfy its tax withholding obligations.

(d) **Issue Price.** The issue price for each of the issued Shares upon vesting of the RSUs will be equal to the Fair Market Value of each Share on the date of issuance. The aggregate value of the past services performed for the Company by the Participant in consideration for the Shares will not exceed the Fair Market Value of those services and such amount will equal or exceed the total issue price for the Shares.

SECTION 5. RESERVED.

SECTION 6. ADJUSTMENT OF SHARES.

In the event of any transaction described in Section 4(c) of the Plan, the terms of this Agreement (including, without limitation, the number of Shares subject to the vesting of the RSUs) shall be adjusted as set forth in Section 4(c) of the Plan. In the event that the Company is a party to any corporate transaction, this Agreement may be subject to termination, settlement and/or adjustment as provided in Section 7(b) of the Plan.

SECTION 7. MISCELLANEOUS PROVISIONS.

(a) **Rights as a Shareholder.** The Participant shall not have any rights as a shareholder with respect to any Shares underlying the RSUs until such time as the Participant becomes entitled to receive such Shares pursuant to the vesting terms set forth in Section 4 and Section 5 of this Agreement.

(b) **Compliance Matters.** The Company may require from the Participant such investment representation, undertaking or agreement, if any, as the Company may consider necessary in order to comply with applicable laws and policies of any applicable exchange. The Participant understands and acknowledges that the Shares to be issued upon vesting of the RSUs may be issued with transfer restrictions as may be required by applicable securities laws and stock exchange requirements.

(c) **No Retention Rights.** Nothing in this Agreement or in the Plan shall confer upon the Participant any right to continue in service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Affiliate employing or retaining the Participant) or of the Participant.

(d) **Incorporation of Policies.** All compensation awarded under this Agreement shall be subject to the terms of any clawback, noncompetition, confidentiality or nondisclosure policies or agreements as may be in place between the Participant and the Company or any Affiliate from time to time.

(e) **Notice.** Any notice required by the terms of this Agreement shall be given in writing and notice to the Company shall be deemed effective upon receipt by the Company (i) upon personal delivery, (ii) through registered or certified mail with postage and fees prepaid; or (iii)

through electronic notification using a form and process approved by the Company. If mailed or delivered, notice to the Company shall be addressed to the Company at its principal executive office and notice to the Participant shall be addressed to the address that he or she most recently provided to the Company.

(f) **Entire Agreement.** The Notice of Restricted Stock Unit Grant, this Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

(g) **Choice of Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the Province of British Columbia, as such laws are applied to contracts entered into and performed in the Province of British Columbia.

(h) **No Advice Regarding Grant.** The Participant is hereby advised to consult with his or her own tax, legal and/or investment advisors with respect to any advice the Participant may determine is needed or appropriate with respect to this Agreement (including, without limitation, to determine the foreign, federal, provincial, state, local, estate and/or gift tax consequences with respect to this grant and any Shares that may be acquired upon vesting of the RSUs). Neither the Company nor any of its officers, directors, affiliates or advisors makes any representation (except for the terms and conditions expressly set forth in this Agreement and in the Plan) or recommendation with respect to this Agreement. Except for the withholding rights contemplated by this Agreement, the Participant is solely responsible for any and all tax liability that may arise with respect to this grant and any Shares that may be acquired upon vesting of the RSUs.

(i) **Investment Intent.** The Participant acknowledges that the acquisition of any securities to be issued hereunder is for investment purposes without a view to distribution thereof.

(j) **Representations and Warranties of the Participant.** By accepting this Agreement, the Participant represents, warrants and acknowledges that he or she has read and understands the Plan and agrees to the terms and conditions thereof and of this Agreement and further agrees and acknowledges that: (i) the effect of certain provisions of the Plan and this Agreement could result in the early forfeiture and termination of unvested RSUs in certain prescribed circumstances; (ii) his or her participation in this grant of RSUs is voluntary; and (iii) that he or she has not been induced to participate in the Plan by expectation of engagement, appointment, employment, continued engagement, continued appointment or continued employment, as applicable, with the Company or its Affiliates.

SECTION 8. DEFINITIONS.

In addition to the definitions set forth in the Plan, the following terms shall have the meanings ascribed herein (in the event a conflict exists, the meaning set forth in this Agreement shall prevail):

(a) **“Agreement”** shall mean this Restricted Stock Unit Award Agreement.

(b) **“Business Day”** means a day that is not a Saturday, Sunday or statutory holiday in the City of Vancouver, Province of British Columbia.



(c) “**Notice of Restricted Stock Unit Grant**” shall mean the document so entitled to which this Agreement is attached.

**TILT HOLDINGS INC.
AMENDED AND RESTATED 2018 STOCK AND INCENTIVE PLAN
NOTICE OF PERFORMANCE STOCK UNIT GRANT**

You have been granted the following Performance Stock Units (“PSUs”) of TILT Holdings Inc. (the “Company”) on _____ (the “PSUs Grant Date”):

Name of Participant: _____ [Subject] (the “Participant”)

Total Number of PSUs Granted: _____

Vesting Terms: The vesting terms of the PSUs are set forth in Exhibit “A” attached hereto.

By your signature and the signature of the Company’s representative below, you and the Company agree that these PSUs are granted under and governed by the terms and conditions of the Company’s Amended and Restated 2018 Stock and Incentive Plan, as it may be amended from time to time (the “Plan”) and the attached Performance Stock Unit Award Agreement, both of which are made a part of this document.

PARTICIPANT:

TILT HOLDINGS INC.

[Subject]

By: _____

Title: _____

PSU Award Agreement: [Subject], Grant Date - _____

**TILT HOLDINGS INC.
AMENDED AND RESTATED 2018 STOCK AND INCENTIVE PLAN
PERFORMANCE STOCK UNIT AWARD AGREEMENT**

SECTION 1. GRANT OF PERFORMANCE STOCK UNITS.

(a) **Performance Stock Units.** On the terms and conditions set forth in the Notice of Performance Stock Unit Grant and this Agreement, the Company grants to the Participant on the PSUs Grant Date the number of PSUs set forth in the Notice of Performance Stock Unit Grant.

(b) **Plan and Defined Terms.** These PSUs are granted pursuant to the Plan, a copy of which the Participant acknowledges having received. The provisions of the Plan are incorporated into this Agreement by this reference. Capitalized terms are defined in Section 7 of this Agreement, unless otherwise defined in Section 2 of the Plan.

SECTION 2. RESTRICTIONS.

(a) **No Issuance.** In the case of the PSUs, no Shares shall be issued at the PSUs Grant Date.

(b) **No Right to Service.** Nothing contained in this Agreement or the Plan constitutes a continued employment or service commitment by the Company or any of its Affiliates, affects the Participant's status, if he or she is an employee, as an employee at will who is subject to termination without cause, confers upon the Participant any right to remain employed by or in service to the Company or any Affiliate, interferes in any way with the right of the Company or any Affiliate at any time to terminate such employment or service, or affects the right of the Company or any Affiliate to increase or decrease the Participant's other compensation. Nothing in the preceding sentence, however, is intended to adversely affect any independent contractual right of the Participant without his/her consent thereto.

SECTION 3. NO TRANSFER OR ASSIGNMENT OF PERFORMANCE STOCK UNITS.

Except as otherwise provided in this Agreement, the PSUs and the rights and privileges conferred hereby shall not be sold, pledged or otherwise transferred (whether by operation of law or otherwise) and shall not be subject to sale under execution, attachment, levy or similar process.

SECTION 4. VESTING OF PERFORMANCE STOCK UNITS

(a) **Vesting.** The PSUs granted hereby shall vest in accordance with the terms of the Plan and as set forth in Exhibit "A" attached hereto. Vested PSUs will be settled in Shares (either in certificate or book entry form, as determined by the Company), registered in the name of the Participant (or in the names of such person and his or her spouse as community property or as joint tenants with right of survivorship). For each vested PSU, the Participant shall receive one Share.

(b) **Withholding Taxes.** In the event that the Company determines that it is required to withhold any tax as a result of the vesting of the PSUs, the Participant, as a condition to the vesting of the PSUs, shall make arrangements satisfactory to the Company to enable it to satisfy all withholding requirements. The Participant shall also make arrangements satisfactory to the Company to enable it to satisfy any withholding requirements that may arise in connection with the vesting or disposition of the Shares issued upon vesting of the PSUs, which may include

withholding the appropriate amount necessary from any compensation paid to Participant. In addition, the Company, in its discretion, may withhold Shares otherwise issuable to the Participant as a result of the vesting PSUs equal to the amount of value needed by the Company to satisfy its tax withholding obligations.

(c) **Issue Price.** The issue price for each of the issued Shares upon vesting of the PSUs will be equal to the Fair Market Value of each Share on the date of issuance. The aggregate value of the past services performed for the Company by the Participant in consideration for the Shares will not exceed the Fair Market Value of those services and such amount will equal or exceed the total issue price for the Shares.

SECTION 5. ADJUSTMENT OF SHARES.

In the event of any transaction described in Section 4(c) of the Plan, the terms of this Agreement (including, without limitation, the number of Shares subject to the vesting of the PSUs) shall be adjusted as set forth in Section 4(c) of the Plan. In the event that the Company is a party to any corporate transaction, this Agreement may be subject to termination, settlement and/or adjustment as provided in Section 7(b) of the Plan.

SECTION 6. MISCELLANEOUS PROVISIONS.

(a) **Rights as a Shareholder.** The Participant shall not have any rights as a shareholder with respect to any Shares underlying the PSUs until such time as the Participant becomes entitled to receive such Shares pursuant to the vesting terms set forth in Section 4 of this Agreement.

(b) **Compliance Matters.** The Company may require from the Participant such investment representation, undertaking or agreement, if any, as the Company may consider necessary in order to comply with applicable laws and policies of any applicable exchange. The Participant understands and acknowledges that the Shares to be issued upon vesting of the PSUs may be issued with transfer restrictions as may be required by applicable securities laws and stock exchange requirements.

(c) **No Retention Rights.** Nothing in this Agreement or in the Plan shall confer upon the Participant any right to continue in service for any period of specific duration or interfere with or otherwise restrict in any way the rights of the Company (or any Affiliate employing or retaining the Participant) or of the Participant.

(d) **Incorporation of Policies.** All compensation awarded under this Agreement shall be subject to the terms of any clawback, noncompetition, confidentiality or nondisclosure policies or agreements as may be in place between the Participant and the Company or any Affiliate from time to time.

(e) **Notice.** Any notice required by the terms of this Agreement shall be given in writing and notice to the Company shall be deemed effective upon receipt by the Company (i) upon personal delivery, (ii) through registered or certified mail with postage and fees prepaid; or (iii) through electronic notification using a form and process approved by the Company. If mailed or delivered, notice to the Company shall be addressed to the Company at its principal executive office and notice to the Participant shall be addressed to the address that he or she most recently provided to the Company.

(f) **Entire Agreement.** The Notice of Performance Stock Unit Grant, this Agreement and the Plan constitute the entire contract between the parties hereto with regard to the subject matter hereof. They supersede any other agreements, representations or understandings (whether oral or written and whether express or implied) which relate to the subject matter hereof.

(g) **Choice of Law.** This Agreement shall be governed by, and construed in accordance with, the laws of the Province of British Columbia, as such laws are applied to contracts entered into and performed in the Province of British Columbia.

(h) **No Advice Regarding Grant.** The Participant is hereby advised to consult with his or her own tax, legal and/or investment advisors with respect to any advice the Participant may determine is needed or appropriate with respect to this Agreement (including, without limitation, to determine the foreign, federal, provincial, state, local, estate and/or gift tax consequences with respect to this grant and any Shares that may be acquired upon vesting of the PSUs). Neither the Company nor any of its officers, directors, affiliates or advisors makes any representation (except for the terms and conditions expressly set forth in this Agreement and in the Plan) or recommendation with respect to this Agreement. Except for the withholding rights contemplated by this Agreement, the Participant is solely responsible for any and all tax liability that may arise with respect to this grant and any Shares that may be acquired upon vesting of the PSUs.

(i) **Investment Intent.** The Participant acknowledges that the acquisition of any Securities to be issued hereunder is for investment purposes without a view to distribution thereof.

(j) **Representations and Warranties of the Participant.** By accepting this Agreement, the Participant represents, warrants and acknowledges that he or she has read and understands the Plan and agrees to the terms and conditions thereof and of this Agreement and further agrees and acknowledges that: (i) the effect of certain provisions of the Plan and this Agreement could result in the early forfeiture and termination of unvested PSUs in certain prescribed circumstances; (ii) his or her participation in this grant of PSUs is voluntary; and (iii) that he or she has not been induced to participate in the Plan by expectation of engagement, appointment, employment, continued engagement, continued appointment or continued employment, as applicable, with the Company or its Affiliates.

SECTION 7. DEFINITIONS.

In addition to the definitions set forth in the Plan, the following terms shall have the meanings ascribed herein (in the event a conflict exists, the meaning set forth in this Agreement shall prevail):

- (a) **"Agreement"** shall mean this Performance Stock Unit Award Agreement.
 - (b) **"Business Day"** means a day that is not a Saturday, Sunday or statutory holiday in the City of Vancouver, Province of British Columbia.
 - (c) **"Notice of Performance Stock Unit Grant"** shall mean the document so entitled to which this Agreement is attached.
-

EXHIBIT "A"

- o **Max Award:** _____ units (the "**Total PSU Award**") for _____ common shares
- o **KPI Type:** Absolute Total Shareholder Return
- o **Measurement:** Market price of a common share of the Company
- o **Vesting Period:** _____ months, ending on _____
- o **Vesting Terms:** Subject to the conditions set out in subsections (i) and (ii), the vesting of the PSUs shall occur on the first Business Day on or coincident to _____, _____, _____ and _____ (each, a "**Vesting Date**").

- (i) The number of PSUs to vest on a Vesting Date will depend on whether the **6-month average closing price ("6-month ACP")** has achieved the target common share prices set out herein. _____ of the Total PSU Award shall vest for each of _____ different tier levels of "target common share price" as listed in US Dollars.

FILL IN PRICE TARGETS HERE

- (ii) Notwithstanding the foregoing, the maximum number of PSUs that can be vested as of each Vesting Date is as follows:

Vesting Date	Maximum # of PSUs

When the number of PSUs to be vested on a Vesting Date, in accordance with the terms of subsection (ii), exceeds the maximum number of PSUs permissible by this subsection (iii) (known as the "**Spill-over PSUs**"), the Spill-over PSUs shall vest on the next Vesting Date, subject again to the limits established by this subsection (ii).

- (iii) The Participant must be an employee of the Company on each Vesting Date in order to be issued the common shares of the Company underlying the PSUs that have vested pursuant to subsections (i) and (ii).
- o **Measure Period:** Calculating the 6-month ACP of common shares of the Company on the NEO or such other recognized exchange in Canada on which the common shares of the Company are listed and traded for the first half of the fiscal year (1/1 – 6/30) and the second half of the fiscal year (7/1 – 12/31) annually for each of the _____ years, the measure period consists of _____ distinct opportunities (each, a "**Performance Measurement Date**") to achieve some or all of the tier level goals as set forth below:

FILL IN TIER LEVELS HERE

For the purposes of determining whether common share price targets have been achieved, each 6-month ACP will be converted from CAD to USD based on the currency exchange rate provided by the Bank of Canada at the close of the Performance Measurement Date or at the close of the most recent Business Day if the Performance Measurement Date falls on the weekend or a

holiday. Please note that once a tier level has been achieved, subsequent 6-month ACPs must achieve a higher tier level in order for additional PSUs to vest.

- o Forfeiture: Any tiers not achieved as of _____, the end of the vesting period, will be forfeited.
-



May 12, 2023

Audit Committee of the Board of Directors
TILT Holdings Inc.
2801 E. Camelback Rd Ste 180
Phoenix, AZ 85016

We have audited the consolidated financial statements as of and for the year then ended December 31, 2022, included in your Annual Report on Form 10-K to the Securities and Exchange Commission and have issued our report thereon dated March 16, 2023. In addition, we have reviewed the consolidated financial statements as of and for the period then ended March 31, 2023, included in the 10-Q quarterly filing and note that Note 2, *Reclassifications*, to the financial statements, contains a description of your reclassification of \$4.7 million of the Massachusetts Lease Liability, previously included in current liabilities on the consolidated balance sheet as of December 31, 2022, into the Massachusetts noncurrent lease liabilities as of March 31, 2023, as permitted by *ASC 842-20-45*. There are no authoritative criteria for determining a 'preferable' method of accounting, for calculating current portions of long-term finance lease liabilities based on the particular circumstances; however, we conclude that such a change in method of accounting is an acceptable alternative method which, based on your business judgment to make this change and for the stated reason, is preferable in your circumstances.

/s/ Macias Gini & O'Connell LLP San Jose, California

**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) [omitted];
 - (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, 2023

/s/ Tim Conder

Tim Conder
Interim 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, Dana R. Arvidson, 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) [omitted];
 - (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, 2023

/s/ Dana R. Arvidson

Dana R. Arvidson
Chief Financial 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, 2023, as filed with the Securities and Exchange Commission ("SEC") on the date hereof (the "Report"), each of Tim Conder, Interim Chief Executive Officer of the Company, and Dana R. Arvidson, Chief Financial 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, 2023

/s/ Tim Conder

Tim Conder
Interim Chief Executive Officer
(Principal Executive Officer)

Date: May 15, 2023

/s/ Dana R. Arvidson

Dana R. Arvidson
Chief Financial Officer
(Principal Financial Officer)
