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

FORM 10-K

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

For the fiscal year ended December 31, 2022

☐ **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 000-56228

IANTHUS CAPITAL HOLDINGS, INC.
(Exact name of registrant as specified in charter)

British Columbia, Canada **(State or jurisdiction of Incorporation or organization)**	**98-1360810** **I.R.S. Employer Identification No.**
420 Lexington Avenue, Suite 414, New York, NY **(Address of principal executive offices)**	**10170** **(Zip code)**

(646) 518-9411
(Registrant's telephone number, including area code)

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

Securities registered pursuant to Section 12(g) of the Act: Common Shares, no par value

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

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

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 definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

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

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

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

The aggregate market value of the voting stock and non-voting common equity held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter ended June 30, 2022 was approximately $57.1 million based upon the closing price of the registrant's common shares of $0.0647 on the OTC Pink Tier of the OTC Markets Group Inc. as of that date.

Number of common shares outstanding as of March 24, 2023 was 6,439,071,155.

Documents Incorporated by Reference: None.

Table of Contents

[**Table of Contents**]

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K contains certain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). Any statements in this Annual Report on Form 10-K about our expectations, beliefs, plans, objectives, assumptions or future events or performance are not historical facts and are forward-looking statements. These statements are often, but not always, made through the use of words or phrases such as “believe,” “will,” “expect,” “anticipate,” “estimate,” “intend,” “plan” and “would.” For example, statements concerning financial condition, possible or assumed future results of operations, growth opportunities, industry ranking, plans and objectives of management, markets for our common shares and future management and organizational structure are all forward-looking statements. Forward-looking statements are not guarantees of performance. They involve known and unknown risks, uncertainties and assumptions that may cause actual results, levels of activity, performance or achievements to differ materially from any results, levels of activity, performance or achievements expressed or implied by any forward-looking statement.

Any forward-looking statements are qualified in their entirety by reference to the risk factors discussed throughout this Annual Report on Form 10-K. You should read this Annual Report on Form 10-K and the documents that we reference herein and have filed as exhibits to the Annual Report on Form 10-K completely and with the understanding that our actual future results may be materially different from what we expect. You should assume that the information appearing in this Annual Report on Form 10-K is accurate as of the date hereof. Because the risk factors referred to on page 24 of Annual Report on Form 10-K could cause actual results or outcomes to differ materially from those expressed in any forward-looking statements made by us or on our behalf, you should not place undue reliance on any forward-looking statements. Further, any forward-looking statement speaks only as of the date on which it is made, and except as required by law, we undertake no obligation to update any forward-looking statement to reflect events or circumstances after the date on which the statement is made or to reflect the occurrence of unanticipated events. New factors emerge from time to time, and it is not possible for us to predict which factors will arise. We cannot assess the impact of each factor on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. We qualify all of the information presented in this Annual Report on Form 10-K, and particularly our forward-looking statements, by these cautionary statements.

RISK FACTOR SUMMARY

Our business is subject to significant risks and uncertainties that make an investment in us speculative and risky. Below we summarize what we believe are the principal risk factors relating to our company but these risks are not the only ones we face, and you should carefully review and consider the full discussion of our risk factors in the section titled "Risk Factors," together with the other information in this Annual Report on Form 10-K. If any of the following risks actually occur (or if any of those listed elsewhere in this Annual Report on Form 10-K occur), our business, reputation, financial condition, results of operations, revenue, and future prospects could be seriously harmed. Additional risks and uncertainties that we are unaware of, or that we currently believe are not material, may also become important factors that adversely affect our business.

Risks Related to Our Company

- We are a holding company and a majority of our assets are the capital stock of our subsidiaries. We rely on operators of our subsidiaries to execute on their business plans, produce cannabis products and otherwise conduct day to day operations. As a result, our cash flows are dependent upon the ability of our subsidiaries to operate successfully.
- We rely on third-party suppliers, manufacturers and contractors to provide certain products and services, and due to the uncertain regulatory landscape for regulating cannabis in the United States, such third-parties may elect, at any time, to decline or withdraw services necessary for our operations and the operations of our subsidiaries.
- Our business plan depends in part on our ability to continue merging with or acquiring other businesses in the cannabis industry, including cultivators, processors, manufacturers and dispensaries.
- We compete for market share with other companies, including businesses and persons engaging in illicit cannabis-related activities.
- Our U.S. tax classification could have a material adverse effect on our financial condition and results of operations. In addition, we may incur significant tax liabilities under section 280E of the U.S. Tax Code.
- There is substantial doubt about our ability to continue as a going concern.
- We will need additional capital to sustain our operations, and will likely need to seek further financing, which may not be on acceptable terms, if at all. If we fail to raise additional capital, as needed, our ability to implement our business model and strategy could be limited.
- We may not have sufficient cash flow from our business to pay our debt obligations.
- Outstanding debt instruments are secured by our assets and our failure to comply with the terms of such debt instruments could result in the loss of all of our assets.
- We may face limitations on ownership of cannabis licenses.
- There is uncertainty surrounding the regulatory pathway for CBD.
- Our products are not approved by the FDA or any other federal governmental authority.

- The presence of trace amounts of THC in our hemp products may cause adverse consequences to users of such products that will expose us to the risk of liability and other consequences.
- We may have difficulty accessing the service of banks since cannabis and certain cannabis-related activities are illegal under U.S. federal law and certain state laws, which may make it difficult us to operate.
- Cannabis pricing and supply regulation may adversely affect our business.
- High state and local excise and other taxes on cannabis products and compliance costs may adversely affect our business.
- Our operations could be adversely affected by events outside of our control such as natural disasters, wars or health epidemics.
- The resignation of Hadley Ford in 2020 as our Chief Executive Officer could have an adverse impact on our business.
- We may face difficulties in enforcing our contracts because our contracts involve cannabis and other activities that are not legal under federal law and in some state jurisdictions.
- We may be subject to product liability claims and product recalls.
- Third parties with whom we do business may perceive themselves as being exposed to reputational risk because of their relationship with us due to our cannabis-related business activities and may as a result, refuse to do business with us.
- We may become subject to liability arising from fraudulent or illegal activity by our employees, independent contractors and consultants.
- We may be subject to risks related to the protection and enforcement of our intellectual property rights.
- Significant inflation could adversely affect our business and financial results.

Risks Related to Government Regulations

- The cannabis industry is highly regulated.
- Our business activities and the business activities of our subsidiaries, while believed to be compliant with applicable U.S. state and local laws, currently are illegal under U.S. federal law.
- If we are not able to comply with all safety, security, health and environmental regulations applicable to our operations and industry, we may be held liable for any breaches thereof.
- U.S. border officers could deny entry into the United States to non-U.S. citizens who are employees of or investors in companies with cannabis operations in the United States or Canada.

Risks Related to our Securities

- There is a limited market for our common shares, and the market price of our common shares is volatile and may not accurately reflect the long-term value of our Company. There is no assurance that an investment in our common shares will earn any positive return.
- We have never paid dividends in the past and do not expect to declare or pay dividends in the foreseeable future.
- Outstanding and future issuances of debt securities, which would rank senior to our common shares upon bankruptcy or liquidation, may adversely affect the level of return holders of common shares may be able to receive.

General Risk Factors

- We are an "emerging growth company" and will be able to avail ourselves of reduced disclosure requirements applicable to emerging growth companies, which could make our common shares less attractive to investors.

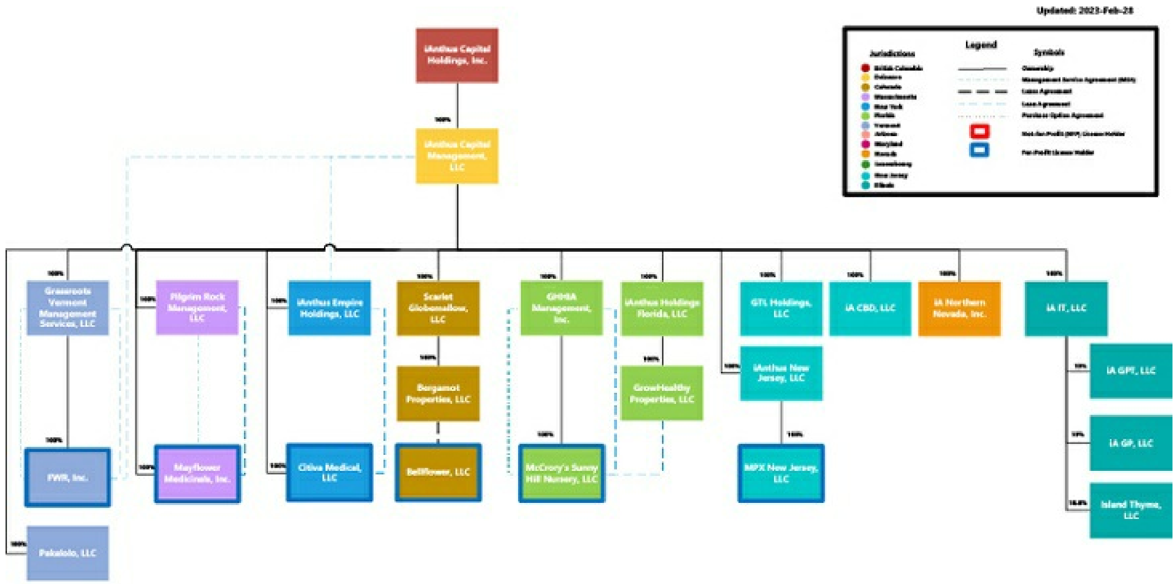
[Table of Contents](#)

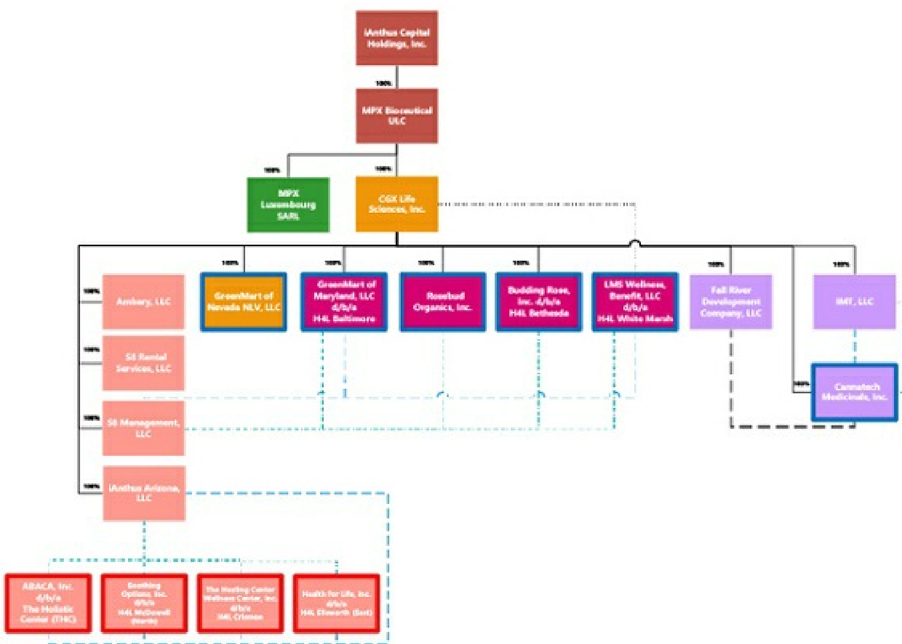
PART I

Throughout this Annual Report on Form 10-K, references to "we," "our," "us," the "Company," or "iAnthus" refer to iAnthus Capital Holdings, Inc., a corporation organized under the laws of British Columbia, Canada, individually, or as the context requires, collectively with its subsidiaries.

THE COMPANY

iAnthus Capital Holdings, Inc. (the "Company") is a holding company with the subsidiaries set forth in the chart below.





ITEM 1. BUSINESS

Overview

We are a vertically-integrated, multi-state owner and operator of licensed cannabis cultivation, processing and dispensary facilities and a developer, producer and distributor of innovative branded cannabis and cannabidiol (“CBD”) products in the United States. Although we are committed to creating a national retail brand and portfolio of branded cannabis and CBD products recognized in the United States, cannabis currently remains illegal under U.S. federal law.

Through our subsidiaries, we currently own and/or operate 35 dispensaries and 11 cultivation and/or processing facilities in nine U.S. states. Pursuant to our existing licenses, interests and contractual arrangements, we have the capacity to own and/or operate up to an additional 15 dispensary licenses and/or dispensary facilities in six states, plus an uncapped number of dispensaries in Florida and up to 21 cultivation, manufacturing and/or processing facilities, and we have the right to manufacture and distribute cannabis products in nine U.S. states, all subject to the necessary regulatory approvals.

Our multi-state operations encompass the full spectrum of medical and adult-use cannabis and CBD enterprises, including cultivation, processing, product development, wholesale-distribution and retail. Cannabis products offered by us include flower and trim, products containing cannabis flower and trim (such as packaged flower and pre-rolls), cannabis infused products (such as topical creams and edibles) and products containing cannabis extracts (such as vape cartridges, concentrates, live resins, wax products, oils and tinctures). Our CBD products include topical creams, tinctures and sprays and products designed for beauty and skincare (such as lotions, creams, haircare products, lip balms and bath bombs). Under U.S. federal law, cannabis is classified as a Schedule I controlled substance under the U.S. Controlled Substances Act (the “CSA”). A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, a lack of safety use under medical supervision and a high potential for abuse. Other than Epidiolex (cannabidiol), a cannabis-derived product, and three synthetic cannabis-related drug products (Marinol (dronabinol), Syndros (dronabinol) and Cesamet (nabilone)), the Food and Drug Administration (the “FDA”) has not approved a marketing application for cannabis for the treatment of any disease or condition and has not approved any cannabis, cannabis-derived or CBD products. See Risk Factor – Our products are not approved by the FDA or any other federal governmental authority.

Operations

Cultivation. We cultivate multiple strains of cannabis plants within our licensed cultivation facilities across the United States. We believe that our facilities are designed, managed and operated to cultivate high-quality products in a cost-effective manner. Our cultivation process uses all parts of the cannabis plant, including flower and trim (“biomass”), to produce cannabis products that we sell at our dispensaries and distribute to third parties on a wholesale basis. We currently have 11 issued cultivation and processing licenses in eight U.S. states, with approximately 488,000 square feet of cultivation and processing space which is fully built-out and the ability to expand to a total of approximately 813,000 square feet of space within our existing lots, subject to regulatory approval. We currently have the ability to harvest approximately 61,000 pounds of biomass annually in our existing cultivation space, and we believe that we will have the ability to harvest approximately 176,000 pounds of biomass annually if we are able to use all of our projected cultivation space, including the cultivation space that is currently under construction and the additional unused cultivation space within our existing lots.

Product Development and Processing. We develop and sell cannabis products for medical and adult-use and CBD products for beauty and skincare. Biomass is processed into oil and resin that is used to develop numerous cannabis-extracted products, including vape pen oils, lotions, tinctures, other concentrates and edibles. We typically conduct product development and processing activities within our cultivation facilities and CBD products are manufactured in third-party manufacturing facilities. Processing procedures include developing formulations and packaging for all cannabis branded products, including the brands we own (such as GrowHealthy, Black Label and Melting Point Extracts (MPX)), as well as brands that we manufacture and sell pursuant to our white label and/or licensing agreements.

Distribution.

Wholesale.

We distribute our cannabis and CBD products through our wholesale channel to over 150 dispensaries, including our own dispensaries and other third-party dispensaries in Arizona, Maryland, Massachusetts and Nevada. These include our MPX and Black Label branded products.

Retail.

We currently own and/or operate 35 dispensaries for the sale of medical and/or adult-use cannabis, CBD and ancillary products. These dispensaries sell products that have been cultivated, developed and processed by us as well as third parties, in states where such sales are permitted. We own and/or operate licensed dispensaries in prime markets, including Atlantic City, Baltimore, Bethesda, Boston, Brooklyn, Las Vegas, Miami, Orlando, Phoenix, Staten Island and West Palm Beach, and we plan to open additional locations in the future.

Direct-to-Consumer.

We sell CBD For Life products directly to consumers online at www.cbdforlife.us as well as in retail locations across the United States.

Our Marijuana Dispensaries, Cultivation and Manufacturing

The table below provides a summary of our licensed operations:

State	Licensed Entity	Type of Investment	Permitted Number of Facilities
Arizona	ABACA, Inc. (“ABACA”) The Healing Center Wellness Center, Inc. (“THCWC”) Health for Life, Inc. (“HFL”) Soothing Options, Inc. (“Soothing Options”)	See Note 1	4 dispensaries[2] 12 cultivation/processing[2] 4 processing/packaging[2]
Colorado	See Note 3	See Note 3	See Note 3
Florida	McCrory’s Sunny Hill Nursery, LLC (“McCrory’s”)	Ownership (100%)[4]	No dispensary cap[5] 1 cultivation[6] 1 processing[6]
Illinois	Island Thyme, LLC (“Island Thyme”)	Ownership (18.8%)[7]	2 adult-use dispensaries[8]
Maryland	LMS Wellness, Benefit LLC (“LMS”) GreenMart of Maryland, LLC (“GMMD”) Rosebud Organics, Inc. (“Rosebud”) Budding Rose, Inc. (“Budding Rose”)	See Note 9 Ownership (100%)[9] Ownership (100%)[9] Ownership (100%)[9]	3 dispensaries 1 processing
Massachusetts	Mayflower Medicinals, Inc. (“Mayflower”) Cannatech Medicinals, Inc. (“Cannatech”)	Ownership (100%)[10]	3 medical dispensaries[11] 3 adult-use dispensaries[11] 3 medical cultivation/processing[12] 3 adult-use cultivation[12] 3 adult-use processing[12]
Nevada	GreenMart of Nevada NLV, LLC (“GMNV”)	Ownership (100)%[13]	3 dispensaries[14] 1 cultivation[14] 1 processing[14]
New Jersey	MPX New Jersey LLC (“MPX NJ”)	Ownership (100%)[15]	3 dispensaries[16] 1 cultivation[17] 1 processing[17]
New York	Citiva Medical, LLC (“Citiva”)	Ownership (100%)	8 dispensaries[18] 1 cultivation[18] 1 processing[18]

Vermont	FWR Inc. d/b/a Grassroots Vermont ("GRVT")	Ownership (100%)[19]	2 dispensaries[20] 1 cultivation[20] 1 processing[20]
United States	iA CBD, LLC ("iA CBD")	Ownership (100%)	See Note 21

(1) ABACA, HFL, Soothing Options and THCWC are non-profit entities. Our wholly-owned subsidiary, iAnthus Arizona, LLC ("iA AZ"), has entered into management agreements with ABACA, HFL, Soothing Options and THCWC, each of which holds an Arizona Medical Marijuana Dispensary Registration Certificate and a Marijuana Establishment License.

(2) A holder of an Arizona Medical Marijuana Dispensary Registration Certificate and Marijuana Establishment License, also referred to as a dual license holder, permits its holder to operate one co-located medical and adult-use retail cannabis dispensary, which can be co-located with one medical or adult-use cannabis cultivation and manufacturing facility, two separately located cultivation and manufacturing facilities, and one separately located manufacturing, packaging, and storage facility. The Dispensary Registration Certificates and Marijuana Establish Licenses each held by ABACA, HFL, Soothing Options and THCWC, collectively allow for the operation of: (i) up to four co-located medical and adult-use cannabis retail dispensaries, (ii) up to four on-site cultivation facilities to cultivate and manufacturing cannabis and cannabis products; (iii) up to eight off-site cultivation facilities to cultivate and manufacture cannabis and cannabis products, and (iv) up to four off-site locations to manufacture, package, and store cannabis and cannabis products, all subject to regulatory approval. Through ABACA, HFL, Soothing Options and THCWC, we currently operate four medical cannabis dispensaries and three facilities for medical cannabis cultivation and processing, two of which are co-located with their affiliated dispensaries. Adult-use retail sales began in April 2021. In addition, Soothing Options has entered into a Cultivation Services Agreement with an unaffiliated, third-party, pursuant to which Soothing Options will license its off-site medical cultivation and processing license to such third-party for a monthly fee and an option to purchase a set amount of biomass per month.

(3) We do not currently have a license to operate a cannabis business in Colorado; however, on December 5, 2016, in related transactions, we, through our wholly-owned subsidiaries, Scarlet Globemallow, LLC ("Scarlet") and Bergamot Properties, LLC ("Bergamot"), acquired certain non-cannabis assets of Organix, LLC ("Organix") and the real estate holdings of Organix's affiliate, DB Land Holdings, Inc., consisting of a 12,000 square foot cultivation facility in Denver, Colorado. Bergamot also purchased a dispensary located in Breckenridge, Colorado from a third-party.

(4) We own 100% of GHHIA Management, Inc. ("GHHIA"), which holds an exclusive 40-year management agreement to operate the medical cannabis business associated with the Florida Medical Marijuana Treatment Center ("MMTC") license issued to McCrory's, and GHHIA owns 100% of McCrory's.

(5) Florida previously imposed a progressive limit on the number of medical cannabis dispensaries that could be operated by each vertically licensed MMTC based on the number of registered qualified medical cannabis patients in the state. This statutory cap, which permitted 25 dispensaries per MMTC, increasing by 5 dispensaries for each additional 100,000 patients registered in Florida's Medical Marijuana Use Registry, expired on April 1, 2020. As of April 1, 2020, the MMTC license held by McCrory's is no longer subject to the statutory cap. Through its vertically integrated MMTC license, McCrory's currently operates 18 medical dispensaries in Florida.

(6) Through its vertically integrated MMTC license, McCrory's currently operates one co-located cultivation and processing facility located in Lake Wales, Florida.

(7) Our wholly-owned subsidiary, IA IT, LLC ("IA IT"), holds an 18.8% ownership interest in Island Thyme with the remaining 81.2% of Island Thyme being held by third parties. In August 2021, Island Thyme won two lotteries (the "IL Lotteries") conducted by the Illinois Department of Financial and Professional Regulation ("IFPR") as a result of which, Island Thyme was awarded two conditional adult-use dispensary licenses (the "IL Conditional Licenses"). On February 1, 2023, Island Thyme submitted an application to the IFPR to convert the IL Conditional Licenses to final licenses, which application remains pending.

(8) Subject to regulatory approval, Island Thyme anticipates opening its two dispensary retail locations in Blue Island, Illinois and Oak Forest, Illinois.

(9) We, through our wholly-owned subsidiary, CGX Life Sciences, Inc. ("CGX"), own 100% of two medical cannabis dispensaries, GMMD and Budding Rose, and one medical cannabis processor, Rosebud. CGX holds an option to acquire one additional medical cannabis dispensary, LMS. On November 22, 2021, CGX exercised its option to acquire LMS, but CGX's acquisition of LMS remains subject to resolution of a pending legal challenge and regulatory approval. See "Item 3. Legal Proceedings - Claim by Maryland License Holder" for additional information. Our wholly-owned subsidiary, S8 Management, LLC ("S8 Management"), has entered into management agreements with LMS, Budding Rose, GMMD and Rosebud.

(10) We, through our wholly-owned subsidiary, iAnthus Capital Management, LLC ("ICM"), own 100% of Mayflower, which maintains both medical and adult-use cannabis operations. In addition, we, through our wholly-owned subsidiary CGX, own 100% of Cannatech, which maintains adult-use cannabis operations. In Massachusetts, an entity is permitted to control and operate up to three vertically-integrated medical Marijuana Treatment Center licenses, which include medical cultivation, product manufacturing and retail dispensing functions, up to three adult-use Marijuana Establishment cultivation licenses, up to three adult-use Marijuana Establishment product manufacturing licenses and up to three adult-use Marijuana Establishment retail licenses, with a maximum total cultivation "canopy" of up to 100,000 square feet. We, through Mayflower, currently hold one final vertically integrated medical license, one provisional vertically integrated medical license, one final adult-use cultivation license, one final adult-use product manufacturing license, and three final adult-use retail licenses. In addition, Cannatech currently holds one provisional vertically integrated medical license, one provisional adult-use product manufacturing license, and one final adult-use Marijuana Establishment cultivation license.

(11) We currently operate one Marijuana Treatment Center retail location, or medical dispensary, in Boston, Massachusetts and three Marijuana Establishment retail locations, or adult-use dispensaries, in Worcester, Massachusetts, Lowell, Massachusetts and Boston, Massachusetts, which is co-located with our current medical dispensary.

(12) Our Holliston, Massachusetts facility currently includes the cultivation and product manufacturing operations of Mayflower's final vertically integrated medical Marijuana Treatment Center license as well as the operations of Mayflower's final adult-use Marijuana Establishment cultivation license and product manufacturing license. Our Fall River, Massachusetts facility currently includes the cultivation operations of Cannatech's final adult-use Marijuana Establishment cultivation license. Subject to regulatory approval, we expect that our Fall River, Massachusetts facility will also include the operations of Cannatech's provisional adult-use product manufacturing license granted to Cannatech on October 8, 2020.

(13) We, through our wholly-owned subsidiary CGX, own 100% of GMNV.

(14) GMNV currently holds one medical cultivation license, one medical production license, one adult-use cultivation license and one adult-use production license, all of operations occur at GMNV's facility located in North Las Vegas, Nevada. GMNV currently operates an adult-use dispensary located in Las Vegas and holds two conditional adult-use dispensary licenses to be located in Henderson and Reno.

(15) In 2019, MPX NJ issued iAnthus New Jersey, LLC ("INJ") a convertible promissory note in the principal amount of $10,000,000 (the "INJ Note"). On January 7, 2022, the New Jersey Cannabis Regulatory Commission ("CRC") approved the conversion of INJ's debt into a 99% equity interest in MPX NJ and INJ's acquisition of the remaining 1% of MPX NJ for nominal consideration, and on February 1, 2022, INJ closed the acquisition of MPX NJ, resulting in INJ owning 100% of the equity interests of MPX NJ. See "Business – Acquisitions – MPX New Jersey LLC" for additional information.

1% of MPX NJ. On February 1, 2022, INJ closed the acquisition of MPX NJ, resulting in INJ owning 100% of the equity interests of MPX NJ.

(16) MPX NJ currently operates a medical cannabis dispensary in Atlantic City, New Jersey and intends to operate two more satellite dispensaries in Gloucester Township, New Jersey and Pennsauken, New Jersey, subject to regulatory approval. On November 9, 2022, MPX NJ submitted its application to expand its current medical operations to include adult-use operations. MPX NJ's application remains pending before the CRC.

(17) MPX NJ currently cultivates medical cannabis at its Pleasantville, New Jersey facility. On February 8, 2023, MPX NJ received its medical processing permit for its Pleasantville, New Jersey facility.

(18) We, through our wholly-owned subsidiary, ICM, own 100% of Citiva, which holds a vertically integrated medical cannabis license allowing Citiva to operate one medical manufacturing facility, including cultivation and processing capabilities and up to a maximum of eight medical dispensaries, subject to regulatory approval. Citiva currently operates three medical dispensaries in Brooklyn, Wappingers Falls and Staten Island, New York. We currently anticipate operating one additional medical dispensary in Ithaca, New York and one manufacturing facility in Warwick, New York, subject to applicable regulatory approvals.

(19) We own 100% of Grassroots Vermont Management Services, LLC ("GVMS"), the sole shareholder of GRVT, which has entered into a management services agreement with GRVT. Accordingly, we, through our wholly-owned subsidiary GVMS, own 100% of GRVT. On February 6, 2023, ICM entered into a Membership Interest Purchase Agreement with an unaffiliated third-party buyer for the sale of all of the issued and outstanding membership interests of GVMS. See "Business – Recent Developments—Disposition of Vermont Operations" for additional information.

(20) GRVT is a Vermont Registered Marijuana Dispensary which permits GRVT to operate one vertically integrated location to cultivate, process and dispense medical cannabis and one additional dispensing location. GRVT currently operates one vertically integrated location where it cultivates, processes and dispenses medical cannabis in Brandon, Vermont.

(21) iA CBD is engaged in the formulation, manufacture, creation and sale of products infused with CBD. The CBD used to manufacture these products is exclusively derived from hemp. We intend for all our hemp-derived products to be produced and sold in accordance with the 2014 Farm Bill and the 2018 Farm Bill, as applicable, at the time and location of operation and for such products to constitute hemp under the 2018 Farm Bill.

Growth Strategies and Strategic Priorities

Expand retail footprint within existing dispensary license portfolio. We currently have 35 operating dispensaries; however, our licenses permit us to own and/or operate an additional 15 dispensary licenses and/or dispensary facilities in six states, plus an uncapped number of licenses in Florida, all subject to regulatory approval. We have dispensary licenses in key markets throughout the United States including New York City (Brooklyn and Staten Island), Boston, the Washington D.C. metro area (Bethesda), the Tampa and St. Petersburg area, Phoenix, the Miami and Fort Lauderdale area, Orlando, Baltimore and Las Vegas. We intend to expand our operations in Florida, New Jersey and New York.

Increase cultivation and processing capacity. We have 11 operational cultivation and/or processing facilities in eight states, with approximately 488,000 square feet of cultivation and processing space which is fully built-out, and the ability to expand to a total of approximately 813,000 square feet of space within our existing lots, subject to regulatory approval. We currently have the ability to harvest approximately 61,000 pounds of biomass annually in our existing cultivation space and we believe that we will have the ability to harvest approximately 176,000 pounds of biomass annually if we are able to use all of our projected cultivation space, including the cultivation space that is currently under construction and the additional unused cultivation space within our existing lots.

Increase patient and customer counts per location. We are focused on brand awareness and attracting new and existing patients and customers to our dispensaries and online ordering platforms. Our marketing and sales strategies include medical outreach, industry associations and websites, social media and a variety of other grassroots initiatives.

Develop and introduce new products to increase wallet share. We produce and sell a wide array of cannabis products from our own cultivation and processing facilities, and continue to innovate to add to our product line in various states. Through investment in new equipment, brands and processes, we continue to introduce new products to sell to our retail and wholesale customers within our existing footprint in order to offer a wider array of choices to our customers as they build their baskets.

Acquire attractive targets to enhance our footprint, product offerings and/or operations. Strategic acquisitions are an important part of our ongoing growth strategy. We expect to continue to make strategic acquisitions that, among other things, are intended to increase revenue, build our geographic footprint, add new branded products to our portfolio and allow us to expand our capabilities and/or help improve operating efficiencies in existing markets.

Secure additional operating licenses throughout the United States. As more states legalize medical and/or adult-use cannabis products or expand their current cannabis regulations, new or additional cultivation, processing and/or dispensary licenses may become available. Given our operational history, we believe that we are well positioned to apply for any such new licenses.

Acquisitions

GreenMart of Maryland, LLC, Rosebud Organics, Inc. and Budding Rose, Inc.

In January 2018, we, through our wholly-owned subsidiary, CGX, entered into separate option agreements, as amended, with (i) all of the shareholders (the "Budding Rose Sellers") of Budding Rose; (ii) all of the shareholders (the "Rosebud Sellers") of Rosebud; (iii) Elizabeth Stavola (the "GMMD Seller"), our former officer and director and the sole member of GMMD; and (iv) William Huber, the sole member of LMS (the "LMS Seller") and LMS, pursuant to which, CGX was granted and exercised its options to acquire 100% ownership of Budding Rose, Rosebud, GMMD and LMS on September 16, 2021, April 1, 2021, November 5, 2021 and November 22, 2021, respectively, all subject to regulatory approval by the Maryland Medical Cannabis Commission (the "MMCC"). On July 28, 2022, the MMCC approved CGX's request to acquire 100% ownership of Budding Rose, Rosebud and GMMD. On August 9, 2022, CGX closed on its acquisition of GMMD, and on August 18, 2022, CGX closed on its acquisitions of Rosebud and Budding Rose.

On May 23, 2022, we, through CGX, filed a demand for arbitration with the American Arbitration Association against LMS and the LMS Seller for various breaches under the option agreements entered into between CGX and LMS, on the one hand, and CGX and the LMS Seller on the other (collectively, the "LMS Option Agreements"). The closing of our acquisition of LMS is subject to the resolution of this pending legal matter. See "Item 3. Legal Proceedings - Claim by Maryland License Holder" for additional information.

MPX New Jersey LLC

On February 1, 2022, we, through our wholly-owned subsidiary INJ, acquired 100% ownership of MPX NJ, which holds a medical cannabis license. On October 24, 2019, INJ and MPX NJ entered into a loan agreement pursuant to which on October 16, 2019, MPX NJ issued to INJ the INJ Note. On February 3, 2021, INJ sent a notice of conversion to MPX NJ, notifying MPX NJ of INJ's election to convert the entire principal amount outstanding of such note, plus all accrued and unpaid interest thereon, into such number of Class A units of MPX NJ representing 99% of the equity interest in MPX NJ. On October 24, 2019, INJ, MPX NJ and the then-equityholders of MPX NJ entered into an option agreement, pursuant to which INJ was granted the option to acquire the remaining 1% of MPX NJ for nominal consideration, which option INJ exercised on February 25, 2021. On January 7, 2022, the CRC approved the conversion of INJ's debt into a 99% equity interest in MPX NJ and INJ's acquisition of the remaining 1% of MPX NJ. As a result of the acquisition of MPX NJ, we expanded our cannabis operations to New Jersey and are permitted to operate one medical manufacturing facility, including cultivation and processing capabilities and up to three medical dispensaries in New Jersey, subject to regulatory approval. On November 9, 2022, MPX NJ submitted its application to expand its current medical operations to include adult-use operations. MPX NJ's application remains pending before the CRC.

iA CBD, LLC

On June 27, 2019, we acquired substantially all of the assets and liabilities of CBD For Life through our wholly-owned subsidiary, iA CBD, for consideration of $10.9 million (in cash and our common shares). As a result of this acquisition, we entered the CBD products market. We sell CBD For Life products directly to consumers online at www.cbdforlife.us as well as in retail locations across the United States.

MPX Bioceutical ULC

On February 5, 2019, we acquired the U.S. operations of MPX Bioceutical Corporation, which amalgamated into our wholly-owned subsidiary MPX Bioceutical ULC ("MPX") for consideration of $533.1 million (in our common shares and common shares of a newly formed spin-out corporation which holds all of the non-U.S. cannabis businesses of MPX). In addition, we assumed certain debt instruments, warrants and options of MPX. As a result of the MPX Acquisition, we expanded our operations from six to ten states and added a robust portfolio of MPX-branded products. In addition, we acquired operations in Arizona, Nevada, Maryland and New Jersey and expanded our operations in Massachusetts.

Citiva Medical, LLC

On February 1, 2018, we acquired Citiva which holds one vertically integrated medical cannabis license in the state of New York for fair market value consideration of $24.8 million (in cash and our common shares). As a result of the acquisition of Citiva, we expanded our cannabis operations to New York and are permitted to operate one medical manufacturing facility, including cultivation and processing capabilities and up to a maximum of eight medical dispensaries in New York, subject to regulatory approval.

GrowHealthy Properties, LLC

On January 17, 2018, we acquired substantially all of the assets of GrowHealthy Holdings, LLC (including GrowHealthy Properties, LLC ("GHP") and McCrory's) for fair market value consideration of $58.3 million (in cash and our common shares). The transactions included the formation of iAnthus Holdings Florida, LLC and GHHIA, each a wholly-owned subsidiary of ICM, together with the purchase of GHP and an option to acquire 100% of McCrory's for nominal consideration. On September 19, 2019, the option was exercised and 100% of the membership interest in McCrory's was transferred to GHHIA. As a result of this asset acquisition, we expanded our cannabis operations to Florida and as a result of the acquisition of McCrory's, we hold a medical marijuana treatment center license in the state of Florida that permits us to operate one or more cultivation and processing facilities and an unlimited number of dispensaries.

Mayflower Medicinals, Inc. and Pilgrim Rock Management, LLC

On December 31, 2017, we acquired an 80% interest in Pilgrim Rock Management, LLC (“Pilgrim”) and on April 17, 2018, we acquired the remaining 20% interest in Pilgrim for consideration of an aggregate of 1,665,734 of our common shares. Pilgrim is an affiliated management company that provides management services, financing, intellectual property licensing, real estate, equipment leasing and certain other services to Mayflower. On July 31, 2018, Mayflower converted from a non-profit into a for-profit corporation and became our wholly-owned subsidiary. As a result of the acquisitions of Mayflower and Pilgrim, we expanded our cannabis operations to Massachusetts. Mayflower maintains one final vertically integrated medical license, one provisional vertically integrated medical license, one final adult-use cultivation license, one final adult-use product manufacturing license and three final adult-use retail licenses. Mayflower’s final vertically integrated medical Marijuana Treatment Center license is comprised of a co-located cultivation and product manufacturing facility in Holliston, Massachusetts and a dispensary in Boston, Massachusetts. Mayflower’s adult-use operations include one adult-use Marijuana Establishment cultivation license and one adult-use Marijuana Establishment product manufacturing license, which are also co-located with Mayflower’s medical Marijuana Treatment Center cultivation and product manufacturing facility in Holliston, Massachusetts.

Competition

We compete on a state-by-state basis in the limited license medical and adult-use cannabis markets as well as the national CBD markets. Participation in state cannabis programs has significant regulatory and financial hurdles that create high barriers to entry, which result in a limited number of market participants in most states. In addition, most of the states in which we operate impose regulatory limitations on the number of cannabis licenses that can be granted, thus allowing for existing license holders to compete against a fixed number of regulated competitors in a particular market. We face competition from local regulated cannabis operators as well as illicit cannabis businesses and other persons engaging in illicit cannabis-related activities within each state. Our primary competitors include the following multi-state operators: Acreage Holdings, Inc., Cresco Labs Inc., Curaleaf Holdings Inc., Green Thumb Industries Inc., Trulieve Cannabis Corp., AYR Wellness Inc. and Verano Holdings Corp.

With respect to our CBD business, we compete with a growing number of emerging CBD companies including multi-state cannabis operators that also offer CBD products, as well as certain large national and multinational corporations that offer or plan to offer CBD products that are or may be deemed similar to those offered by us.

Financial Restructuring

The significant disruption of global financial markets, and specifically, the decline in the overall public equity cannabis markets due to the coronavirus (“COVID-19”) pandemic negatively impacted our ability to secure additional capital, which caused liquidity constraints. In early 2020, due to the liquidity constraints, we attempted to negotiate temporary relief of our interest obligations with the holders (the “Secured Lenders”) of our 13% senior secured convertible debentures (the “Secured Notes”) issued by ICM. However, we were unable to reach an agreement and did not make interest payments when due and payable to the Secured Lenders or payments that were due to the holders of our 8% convertible unsecured debentures (the “Unsecured Debentures” and together with the Secured Notes, the “Debentures”) (the “Unsecured Lenders” and together with the Secured Lenders, the “Lenders”). As a result, we defaulted on our obligations pursuant to the Secured Notes and the Unsecured Debentures.

On June 22, 2020, we received a notice demanding repayment under the Amended and Restated Debenture Purchase Agreement dated October 10, 2019 (the “Secured Notes Purchase Agreement”) of the entire principal amount of the Secured Notes, together with interest, fees, costs and other charges that have accrued or may accrue from Gotham Green Admin 1, LLC, the collateral agent (the “Collateral Agent”) holding security for the benefit of the Secured Notes. The Collateral Agent concurrently provided us with a Notice of Intention to Enforce Security under section 244 of the Bankruptcy and Insolvency Act (Canada).

On July 10, 2020, we entered into a restructuring support agreement (as amended, the “Restructuring Support Agreement”) with the Secured Lenders and a majority of the Unsecured Lenders (the “Consenting Unsecured Lenders”) to effectuate a recapitalization transaction (the “Recapitalization Transaction”). Closing of the Recapitalization Transaction through an amended and restated plan of arrangement (the “Plan of Arrangement”) was subject to certain conditions, including: approval of the Secured Lenders, Unsecured Lenders and existing holders of our common shares, warrants, and options; approval of the Plan of Arrangement by the Supreme Court of British Columbia; and the receipt of all necessary state regulatory approvals in which we operate that require approval and approval by the CSE (collectively, the “Requisite Approvals”). All Requisite Approvals required to consummate the Recapitalization Transaction were satisfied, conditioned, or waived by us, the Secured Lenders and the Consenting Unsecured Lenders, and on June 24, 2022 (the “Closing Date”), we closed the Recapitalization Transaction pursuant to the Plan of Arrangement under the Business Corporations Act (British Columbia) approved by the Supreme Court of British Columbia. Pursuant to the terms of the Restructuring Support Agreement, the Collateral Agent, the Secured Lenders and the Consenting Unsecured Lenders agreed to forbear from further exercising any rights or remedies in connection with any events of default that existed or may have existed in the future arise under any of the purchase agreements with respect to the Secured Notes and all other agreements delivered in connection therewith, the purchase agreements with respect to the Unsecured Debentures and all other agreements delivered in connection therewith and any other agreement to which the Collateral Agent, Secured Lenders, or Consenting Unsecured Lenders are a party to (collectively, the “Defaults”). As of the Closing Date, the Collateral Agent, Secured Lenders and Consenting Unsecured Lenders irrevocably waived all Defaults. In August 2021, Gotham Green Partners, LLC and the Collateral Agent filed a Notice of Application (with the Ontario Superior Court of Justice, which sought, among other things, a declaration that the outside date for closing the Recapitalization Transaction be extended, which extension was granted by such court and we subsequently appealed. Following the closing of the Recapitalization Transaction, we discontinued the appeal with prejudice.

In connection with the closing of the Recapitalization Transaction, we issued an aggregate of 6,072,579,705 common shares to the Secured Lenders and Unsecured Lenders. Specifically, we issued 3,036,289,852 common shares (the “Secured Lender Shares”), or 48.625% of our outstanding common shares, to the Secured Lenders and 3,036,289,853 common shares (the “Unsecured Lender Shares” and together with Secured Lender Shares, the “Shares”), or 48.625% of our outstanding common shares, to the Unsecured Lenders. As of the Closing Date, we had 6,244,297,897 common shares issued and outstanding and existing holders of our common shares collectively held 171,718,192 common shares, or 2.75% of our outstanding common shares.

As of the Closing Date, the outstanding principal amount of the Secured Notes (including the interim financing secured notes in the aggregate principal amount of approximately $14.7 million originally due on July 13, 2025 (the “Interim Financing”)) together with interest accrued and fees thereon were forgiven in part and exchanged for (A) the Secured Lender Shares, (B) June Secured Debentures (as defined below) in the aggregate principal amount of $99,736,842 and (C) June Unsecured Debentures (as defined below) in the aggregate principal amount of $5 million. In addition, as of the Closing Date, the outstanding principal amount of the Unsecured Debentures together with interest accrued and fees thereon were forgiven in part and exchanged for (A) the Unsecured Lender Shares and (B) June Unsecured Debentures in the aggregate principal amount of $15 million. Furthermore, all existing options and warrants to purchase our common shares, including certain debenture warrants and exchange warrants previously issued to the Secured Lenders, the warrants previously issued in connection with the Unsecured Debentures and all other Affected Equity (as defined in the Plan of Arrangement), were cancelled and extinguished for no consideration.

Secured Debenture Purchase Agreement

In connection with the closing of the Recapitalization Transaction, we entered into a Third Amended and Restated Secured Debenture Purchase Agreement (the “Secured DPA”), dated as of June 24, 2022, with ICM, the other Credit Parties (as defined in the Secured DPA), the Collateral Agent, and the lenders party thereto (the “New Secured Lenders”) pursuant to which ICM issued the New Secured Lenders 8% secured debentures (the “June Secured Debentures”) in the aggregate principal amount of $99,736,842 pursuant to the Plan of Arrangement.

The June Secured Debentures accrue interest at a rate of 8% per annum (increasing to 11% upon the occurrence of an Event of Default (as defined in the June Secured Debentures)), are due on June 24, 2027, and may be prepaid on a pro rata basis from and after the third anniversary of the Closing Date upon prior written notice to the New Secured Lenders without premium or penalty. Upon receipt of a Change of Control Notice (as defined in the June Secured Debentures), each New Secured Lender may provide notice to ICM to either (i) purchase the June Secured Debenture at a price equal to 103% of the then outstanding principal amount together with interest accrued thereon (the "Offer Price") or (ii) if the Change of Control Transaction (as defined in Secured DPA) results in a new issuer, or if the New Secured Lender desires that the June Secured Debenture remain unpaid and continue in effect after the closing of the Change of Control Transaction, convert or exchange the June Secured Debenture into a replacement debenture of the new issuer or ICM, as applicable, in the aggregate principal amount of the Offer Price on substantially equivalent terms to those terms contained in the June Secured Debenture. Notwithstanding the foregoing, if 90% or more of the principal amount of all June Secured Debentures outstanding have been tendered for redemption on the date of the Change of Control Notice, ICM may, at its sole discretion, redeem all of the outstanding June Secured Debentures at the Offer Price. As security for the Obligations (as defined in the June Secured Debenture), ICM and the Company granted to the Collateral Agent, for the benefit of the New Secured Lenders, a security interest over all of their present and after acquired personal property.

Pursuant to the Secured DPA, so long as Gotham Green Partners, LLC or any of its Affiliates (as defined in the Secured DPA) hold at least 50% of the outstanding principal amount of June Secured Debentures, the Collateral Agent will have the right to appoint two non-voting observers to our board of directors (the "Board of Directors" or the "Board"), each of which shall receive up to a maximum amount of $25,000 in any 12-month period for reasonable out-of-pocket expenses. In addition, pursuant to the Secured DPA, the New Secured Lenders purchased an additional $25,000,000 of June Secured Debentures (the "Additional Secured Debentures").

Unsecured Debenture Agreement

In connection with the closing of the Recapitalization Transaction, we, as guarantor of the Guaranteed Obligations (as defined in the Unsecured DPA (as defined herein)), entered into an Unsecured Debenture Agreement (the "Unsecured DPA") dated as of June 24, 2022 with ICM, the Secured Lenders and the Consenting Unsecured Lenders pursuant to which ICM issued 8% unsecured debentures (the "June Unsecured Debentures") in the aggregate principal amount of $20 million pursuant to the Plan of Arrangement, including $5 million to the Secured Lenders and $15 million to the Unsecured Lenders.

The June Unsecured Debentures accrue interest at a rate of 8% per annum (increasing to 11% upon the occurrence of an Event of Default (as defined in the June Unsecured Debentures)), are due on June 24, 2027, and may be prepaid on a pro rata basis from and after the third anniversary of the Closing Date upon prior written notice to the Unsecured Lender without premium or penalty. Upon receipt of a Change of Control Notice (as defined in the June Unsecured Debenture), each Unsecured Lender may provide notice to ICM to either (i) purchase the June Unsecured Debenture at a price equal to 103% of the then outstanding principal amount together with interest accrued thereon (the "Unsecured Offer Price") or (ii) if the Change of Control Transaction (as defined in Unsecured DPA) results in a new issuer, or if the Unsecured Lender desires that the June Unsecured Debenture remain unpaid and continue in effect after the closing of the Change of Control Transaction, convert or exchange the June Unsecured Debenture into a replacement debenture of the new issuer or ICM, as applicable, in the aggregate principal amount of the Unsecured Offer Price on substantially equivalent terms to those terms contained in the June Unsecured Debenture. Notwithstanding the foregoing, if 90% or more of the principal amount of all June Unsecured Debentures outstanding have been tendered for redemption on the date of the Change of Control Notice, ICM may, at its sole discretion, redeem all of the outstanding June Unsecured Debentures at the Unsecured Offer Price. Pursuant to the Unsecured DPA, the Obligations (as defined in the Unsecured DPA) are subordinated in right of payment to the Senior Indebtedness (as defined in the Unsecured DPA).

Pursuant to the Recapitalization Transaction, the Secured Lenders, the Unsecured Lenders and our shareholders were allocated and issued the June Secured Debentures, the June Unsecured Debentures, and percentage of our pro forma common shares, as presented in the following table:

(in '000s of U.S. dollars)	June Secured Debentures(1)	Interim Financing(2)	June Unsecured Debentures(3)	Pro Forma Common Equity(4)
Secured Lenders	$ 85,000	$ 14,737	$ 5,000	48.625%
Unsecured Lenders	—	—	15,000	48.625%
Existing Shareholders	—	—	—	2.75%
Total	**$ 85,000**	**$ 14,737**	**$ 20,000**	**100%**

(1) The Secured Notes and Interim Financing were extinguished as of the Closing Date and, in exchange, ICM issued the June Secured Debentures in the aggregate principal amount of $99,736,842, the Secured Lender Shares and the June Unsecured Debentures in the aggregate principal amount of $5 million. See “Business – Financial Restructuring—Secured Debenture Purchase Agreement.”
(2) Certain of the Secured Lenders provided the Interim Financing to ICM pursuant to the Restructuring Support Agreement.
(3) The Unsecured Debentures were extinguished as of the Closing Date, and in exchange, ICM issued the June Unsecured Debentures in the aggregate principal amount of $15 million and the Unsecured Lender Shares. The June Unsecured Debentures are subordinate to the June Secured Debentures, but are senior to the Company’s common shares. See “Business – Financial Restructuring—Unsecured Debenture Agreement.”
(4) On December 31, 2021, our Board of Directors approved the terms of a Long-Term Incentive Program recommended by our compensation committee, pursuant to which, on July 26, 2022, we issued to certain of our employees (including executive officers) an aggregate of 320,165,409 restricted stock units (“RSUs”), under our Amended and Restated Omnibus Incentive Plan (the “Omnibus Incentive Plan”) dated October 15, 2018 in order to attract and retain such employees. RSUs represent a right to receive a single common share that is both non-transferable and forfeitable until certain conditions are satisfied. The allocation of RSUs was contingent upon the closing of the Recapitalization Transaction and was subject to approval of the Canadian Securities Exchange and the Board. All of our existing warrants and options were cancelled, and our common shares may be consolidated pursuant to a consolidation ratio which has yet to be determined.

Registration Rights Agreement

In connection with the consummation of the Recapitalization Transaction, we entered into a registration rights agreement (the “RRA”) dated as of the Closing Date with ICM and certain holders of Registrable Securities (as defined in the RRA) (the “Holders”) pursuant to which we shall, upon receipt of written notice (the “Shelf Request”) from Holders of at least 15% of our outstanding common shares (the “Substantial Holders”), prepare and file (i) with the applicable Canadian Securities Regulators (as defined in the RRA), a Shelf Prospectus (as defined in the RRA) to facilitate a secondary offering of all of the Registrable Securities or (ii) with the SEC, a registration statement on Form S-3 (the “S-3 Registration Statement”) covering the resale of all Registrable Securities. Pursuant to the RRA, subject to certain exceptions, we shall use commercially reasonable efforts to file the Shelf Prospectus or the S-3 Registration Statement, as applicable, as soon as practicable but in no event later than 20 days following the receipt of the Shelf Request. In addition, pursuant to the RRA, the Substantial Holders may request (the “Demand Registration Request”) that we file a Prospectus (as defined in the RRA) (other than a Shelf Prospectus) or a registration statement on any form that we are then eligible to use (the “Registration Statement”) to facilitate a Distribution (as defined in the RRA) in Canada or the United States of all or any portion of the Registrable Securities (the “Demand Registration”) held by the Holders requesting the Demand Registration.

Pursuant to the RRA, subject to certain exceptions, we shall use our commercially reasonable efforts to file one or more Prospectuses or Registration Statements within 20 days following delivery of a Demand Registration Request. Notwithstanding the foregoing, we shall not be obligated to effect more than two Demand Registrations in any fiscal year. Moreover, pursuant to the RRA and subject to certain exceptions, if, at any time, we propose to make a Distribution for our own account, we shall notify the Holders of such Distribution (the “Piggyback Registration”) and shall use reasonable commercial efforts to include in the Piggyback Registration such Registrable Securities requested by the Holders be included in such Piggyback Registration. Furthermore, pursuant to the RRA and subject to certain exceptions, after the receipt by us of a Demand Registration Request, we shall not, among other things, without the prior written consent of Holders of least 66 2/3% of the then issued common shares held by all Holders (the “Requisite Holders”) authorize, issue or sell any common shares or Equity Securities (as defined in the RRA) until the date which is 90 days after the later of (i) the date on which a receipt is issued for the Prospectus or Registration Statement filed in connection with such Demand Registration and (ii) the completion of the offering contemplated by the Demand Registration, provided that in respect of any subsequent Demand Registration Request in any fiscal year, such date shall be reduced to the date which is 30 days after the later of (i) and (ii) above. Moreover, pursuant to the RRA and subject to certain exceptions, we shall not grant registration rights to any other Person (as defined in the RRA) without the prior written consent of the Requisite Holders. In addition, we shall use our best efforts to cause a Registration Statement to be declared effective under the Securities Act as promptly as possible but in no event later than the date which is 30 days (or 90 days if the SEC notifies us that it will “review” the Registration Statement) after the initial filing of such Registration Statement.

New Board of Directors

Effective as of the Closing Date, each of Michael Muldowney, Diane Ellis and Robert Galvin resigned from our Board of Directors as well as our audit committee, our nominating and corporate governance committee and our compensation committee, as applicable. Pursuant to the terms of the Plan of Arrangement and the IRA (as defined herein), the Secured Lenders have the right to nominate three directors to our Board and the Consenting Unsecured Lenders have the right to collectively nominate three directors to our Board. Specifically, we entered into an Investor Rights Agreement (“IRA”) dated June 24, 2022 with ICM and certain investors (the “Investors”) in connection with the closing of the Recapitalization Transaction pursuant to which the Investors are entitled to designate nominees for election or appointment to our Board as follows:

- one investor (the “First Investor”) shall be entitled to designate director nominees as follows:
  - (i) For so long as the First Investor’s Debt Exchange Common Share Percentage (as defined in the IRA) is at least 30%, the First Investor shall be entitled to designate up to three individuals as director nominees;
  - (ii) For so long as the First Investor’s Debt Exchange Common Share Percentage is less than 30% but is at least 15%, the First Investor shall be entitled to designate up to two individuals as director nominees; and
  - (iii) For so long as the First Investor’s Debt Exchange Common Share Percentage is less than 15% but is at least 5%, the First Investor shall be entitled to designate up to one individual as a director nominee.
- a second Investor (the “Second Investor”) shall be entitled to designate up to one individual as a director nominee for so long as such Investor’s Debt Exchange Common Share Percentage is at least 5%.
- a third Investor (the “Third Investor”) shall be entitled to designate up to one individual as a director nominee for so long as such Investor’s Debt Exchange Common Share Percentage is at least 5%.
- a fourth Investor (the “Fourth Investor”) shall be entitled to designate up to one individual as a director nominee for so long as such Investor’s Debt Exchange Common Share Percentage is at least 5%.

Pursuant to the IRA, the Secured Lenders appointed Scott Cohen, Michelle Mathews-Spradlin and Kenneth Gilbert to serve on our Board. Mr. Cohen and Ms. Mathews-Spradlin’s appointments were effective as of the Closing Date and Mr. Gilbert’s appointment was effective as of August 11, 2022. The Consenting Unsecured Lenders initially appointed Zachary Arrick, Alexander Shoghi and Marco D’Attanasio to serve on our Board effective as of the Closing Date. On September 15, 2022, Mr. D’Attanasio resigned as a member of our Board and audit committee. On February 21, 2023, Mr. Arrick resigned as a member of our Board and compensation and nominating and corporate governance committee. As of the date hereof, the Consenting Unsecured Lenders have not filled the vacancies on our Board created by Mr. D’Attanasio and Mr. Arrick’s resignations. The directors appointed by the Secured Lenders and Consenting Unsecured Lenders will serve as our directors until our next annual general meeting of shareholders or until their successors are duly elected or appointed.

Recent Developments

Issuance of common shares

On January 5, 2023, we issued 7,853 common shares for vested RSUs. We withheld 7,776 common shares to satisfy our employees' tax obligations of $0.2 million.

On March 3, 2023, we issued 27,930 common shares for vested RSUs to Mr. Kalcevich as per the December Separation Agreement.

Extension of INJ Senior Secured Bridge Notes

On February 2, 2023, we entered into an amendment (the "Amendment") to the $11.0 million senior secured bridge notes issued by INJ on February 2, 2021 ("Senior Secured Bridge Notes") with all the holders of such notes. Pursuant to the Amendment, the maturity date of the Senior Secured Bridge Notes was extended until February 2, 2024, the interest on the principal amount outstanding was increased to a rate of 12% per annum, and an amendment fee equal to 10% of the principal amount outstanding of the Senior Secured Bridge Notes as of February 2, 2023 or $1.4 million in the aggregate, was added to such notes such that it will become due and payable on the maturity date.

Disposition of Vermont Operations

On February 6, 2023, ICM entered into a Membership Interest Purchase Agreement (the "MIPA") with an unaffiliated third-party buyer (the "VT Buyer") for the sale of all of the issued and outstanding membership interests of GVMS (the "GVMS Sale") for $0.2 million, subject to certain adjustments set forth in the MIPA. The closing of the MIPA remains subject to customary closing conditions, including approval by the Vermont Cannabis Control Board (the "CCB"). On February 6, 2023, ICM, GVMS and GRVT entered into a management agreement (the "Management Agreement") with the VT Buyer, which went into effect on March 8, 2023. Pursuant to the Management Agreement, the VT Buyer will manage the operations of GRVT until the closing of the GVMS Sale. The Management Agreement terminates upon the earlier of the closing of the GVMS Sale or termination of the MIPA.

Intellectual Property

Our portfolio of subsidiaries currently includes a number of local and multi-state brands. As cannabis currently remains illegal under U.S. federal law, we cannot register our cannabis brands with the U.S. Patent and Trademark Office. However, we rely on the intellectual property protections afforded under applicable state laws and common law through the use of our marks in commerce in each of the respective regions in which we operate.

Governmental Regulations

Cannabis

In the United States, the cultivation, manufacturing, importation, distribution, use and possession of cannabis is illegal under U.S. federal law. However, medical and adult-use cannabis has been legalized and regulated by individual states. Pursuant to the Congressional Research Service, as of March 1, 2023, (i) 37 states plus the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands have comprehensive laws and policies allowing for the medicinal use of marijuana, (ii) 10 additional states allow for "limited access medical cannabis," which refers to low-THC cannabis or CBD oil and (iii) 21 states, the District of Columbia, Guam, and the Northern Mariana Islands have enacted laws allowing the recreational use of marijuana. Notwithstanding the regulatory environment with respect to cannabis at the state level, cannabis continues to be categorized as a Schedule I controlled substance under the CSA. Accordingly, the use, possession, or distribution of cannabis violates U.S. federal law. As a result, cannabis businesses in the United States are subject to inconsistent state and federal legislation, regulation and enforcement.

Under former President Barack Obama, in an effort to provide guidance to U.S. federal law enforcement regarding the inconsistent regulation of cannabis at the U.S. federal and state levels, the U.S. Department of Justice ("DOJ") released a memorandum on August 29, 2013 titled "Guidance Regarding Marijuana Enforcement" from former Deputy Attorney General James Cole (the "Cole Memorandum"). The Cole Memorandum acknowledged that, although cannabis is a Schedule I controlled substance under the CSA, the U.S. Attorneys in states that have legalized cannabis should prioritize the use of the U.S. federal government's limited prosecutorial resources by focusing enforcement actions on the following eight areas of concern (the "Cole Priorities"):

- Preventing the distribution of marijuana to minors;
- Preventing revenue from the sale of marijuana from going to criminal enterprises, gangs and cartels;
- Preventing the diversion of marijuana from states where it is legal under state law in some form to other states;
- Preventing state-authorized marijuana activity from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity;
- Preventing violence and the use of firearms in the cultivation and distribution of marijuana;
- Preventing drugged driving and the exacerbation of other adverse public health consequences associated with marijuana use;
- Preventing the growing of marijuana on public lands and the attendant public safety and environmental dangers posed by marijuana production on public lands; and
- Preventing marijuana possession or use on U.S. federal property.

In January 2018, under the administration of former President Donald Trump, former U.S. Attorney General Jeff Sessions rescinded the Cole Memorandum. While this did not create a change in U.S. federal law, as the Cole Memorandum was policy guidance and not law, the rescission added to the uncertainty of U.S. federal enforcement of the CSA in states where cannabis use is legal and regulated. Former Attorney General Sessions, concurrent with the rescission of the Cole Memorandum, issued a memorandum ("Sessions Memorandum") which explained that the Cole Memorandum was "unnecessary" due to existing general enforcement guidance adopted in the 1980s, as set forth in the U.S. Attorney's Manual ("USAM"). The USAM enforcement priorities, like those of the Cole Memorandum, are also based on the U.S. federal government's limited resources and include law enforcement priorities set by the Attorney General, the seriousness of the alleged crimes, the deterrent effect of criminal prosecution and the cumulative impact of particular crimes on the community.

While the Sessions Memorandum emphasizes that cannabis is a Schedule I controlled substance under the CSA and states that it is a "dangerous drug and that marijuana activity is a serious crime," it does not otherwise provide that the prosecution of cannabis-related offenses is now a DOJ priority. Furthermore, the Sessions Memorandum explicitly indicates that it is a guide for prosecutorial discretion and that discretion is firmly in the hands of U.S. Attorneys who determine whether to prosecute cannabis-related offenses. U.S. Attorneys could individually continue to exercise their discretion in a manner similar to that permitted under the Cole Memorandum. While certain U.S. Attorneys have publicly affirmed their commitment to proceeding in a manner contemplated under the Cole Memorandum, or otherwise affirmed that their views of U.S. federal enforcement priorities have not changed as a result of the rescission of the Cole Memorandum, others have publicly supported the rescission of the Cole Memorandum.

Under former Attorney General William Barr, the Department of Justice did not take a formal position on the federal enforcement of laws relating to cannabis. However, prior to his resignation on December 23, 2020, former Attorney General William Barr stated that his preference would be to have a uniform federal rule against cannabis, but, absent such a uniform rule, his preference would be to permit the existing federal approach leaving it up to the states to make their own decision. In addition, former Attorney General William Barr indicated that the DOJ was reviewing the Strengthening the Tenth Amendment Through Entrusting States Act ("STATES Act"), which would shield individuals and businesses complying with state cannabis laws from federal intervention.

On March 10, 2021, the Senate confirmed, President Joseph R. Biden's nominee, Merrick Garland, to serve as Attorney General in his administration. Furthermore, two of President Biden's nominees for top positions at the U.S. Department of Health and Human Services ("HHS") have strong track records of supporting and defending state-legalized marijuana programs. California's former Attorney General Xavier Becerra, who serves as the head of HHS, vowed to defend California's legal cannabis market from any potential intervention during the Trump administration. In addition, Pennsylvania's former Secretary of Health Dr. Rachel Levine, who serves as the Assistant Secretary of HHS, played a pivotal role in the implementation of Pennsylvania's medical marijuana program. On October 6, 2022, President Joseph Biden announced a three-step program to bring broad changes to federal marijuana policy. As an initial step towards reform, President Biden began the process of pardoning all federal offenders convicted of simple marijuana possession. As a second step, President Biden encouraged Governors to take similar steps to pardon simple state marijuana possession charges. Finally, President Biden directed the Department of Health and Human Services and Attorney General Merrick Garland to "expeditiously" review marijuana's status as a Schedule I controlled drug under the CSA. Despite the growing enthusiasm in the cannabis business community, it remains unclear whether the Department of Justice under President Biden and Attorney General Garland will re-adopt the Cole Memorandum or effectuate a substantive marijuana enforcement policy change.

Other federal legislation provides or seeks to provide protection to individuals and businesses acting in violation of U.S. federal law but in compliance with state cannabis laws. For example, the Rohrabacher-Farr Amendment has been included in annual spending bills passed by Congress since 2014. The Rohrabacher-Farr Amendment restricts the DOJ from using federal funds to interfere with states implementing laws that authorize the use, distribution, possession, or cultivation of medical cannabis.

U.S. courts have construed these appropriations bills to prevent the U.S. federal government from prosecuting individuals or businesses engaged in cannabis-related activities to the extent they are operating in compliance with state medical cannabis laws. However, because this conduct continues to violate U.S. federal law, U.S. courts have observed that should the U.S. Congress choose to appropriate funds to prosecute individuals or businesses acting in violation of the CSA, such individuals or businesses could be prosecuted for violations of U.S. federal law even to the extent/even if they are operating in compliance with applicable state medical cannabis laws.

If Congress declines to include the Rohrabacher-Farr Amendment in future fiscal year appropriations bills or fails to pass necessary budget legislation causing a government shutdown, the U.S. federal government will have the authority to spend federal funds to prosecute individuals and businesses acting contrary to the CSA for violations of U.S. federal law.

Furthermore, the appropriations protections only apply to individuals and businesses operating in compliance with a state's medical cannabis laws and provide no protection to individuals or businesses operating in compliance with a state's adult-use cannabis laws.

Additionally, there are a number of marijuana reform bills that have been introduced in the U.S. Congress that would amend federal law regarding the legal status and permissibility of medical and adult-use cannabis, including the STATES Act, the Marijuana Opportunity Reinvestment and Expungement Act (the "MORE Act") and the Substance Regulation and Safety Act (the "SRSA"). The STATES Act would create an exemption in the CSA to allow states to determine their own cannabis policies without fear of federal reprisal. The MORE Act, which was reintroduced to the House of Representatives on May 28, 2021, would remove cannabis from the CSA, expunge federal cannabis offenses and establish a 5% excise tax on cannabis to fund various federal grant programs. The SRSA, which was introduced by U.S. Senator Tina Smith on July 30, 2020, would remove cannabis from the CSA, grant the FDA authority to regulate cannabis and cannabis products and regulate the safety and quality control of cannabis crops and the import and export of cannabis materials. In addition to the foregoing, on December 2, 2022, President Biden signed the Medical Marijuana Research Act (the "MMRA") into law. The MMRA is a piece of bipartisan legislation and marks the first standalone cannabis reform bill to be signed into law, a significant milestone in the evolution of federal cannabis policy. While the new law does not change marijuana's status as a Schedule I substance under the CSA, the legislation is intended to: 1) advance research on the potential risks and medical benefits of cannabis, cannabis products, and their synthetic equivalents by streamlining and clarifying the role of the DEA in research; 2) expand sources of research-grade marijuana; 3) promote the commercial development of FDA-approved drugs derived from marijuana and CBD; and 4) ensure that physicians may discuss the potential risks and benefits of marijuana and CBD with their patients. At this time, it is uncertain which other federal marijuana reform bills, if any, will ultimately be passed and signed into law.

Businesses in the regulated cannabis industry, including our business, are subject to a variety of laws and regulations in the United States that involve money laundering, financial recordkeeping and proceeds of crime, including the U.S. Currency and Foreign Transactions Reporting Act of 1970 ("Bank Secrecy Act") and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act (the "US PATRIOT Act") and the rules and regulations thereunder and any related or similar rules, regulations, or guidelines, issued, administered, or enforced by governmental authorities in the United States. Further, under U.S. federal law, banks or other financial institutions that provide a cannabis business with a checking account, debit or credit card, small business loan, or any other service could be charged with money laundering, aiding and abetting, or conspiracy.

Despite these laws, the Financial Crimes Enforcement Network ("FinCEN"), a bureau within the U.S. Department of the Treasury ("U.S. Treasury"), issued a memorandum on February 14, 2014 (the "FinCEN Memorandum"), which provides instructions to banks and other financial institutions seeking to provide services to cannabis-related businesses. The FinCEN Memorandum explicitly references the Cole Priorities and indicates that in some circumstances it is permissible for banks and other financial institutions to provide services to cannabis-related businesses without risking prosecution for violation of U.S. federal money laundering laws. Under these guidelines, financial institutions are subject to a requirement to submit a suspicious activity report in certain circumstances as required by federal money laundering laws. These cannabis related suspicious activity reports are divided into three categories: marijuana limited, marijuana priority and marijuana terminated, based on the financial institution's belief that the marijuana business follows state law, is operating out of compliance with state law, or where the banking relationship has been terminated, respectively. The FinCEN Memorandum refers to supplementary guidance in the Cole Memorandum relating to the prosecution of money laundering offenses predicated on cannabis-related violations of the CSA.

The rescission of the Cole Memorandum did not affect the status of the FinCEN Memorandum, and to date, the U.S. Treasury has not given any indication that it intends to rescind the FinCEN Memorandum. While the FinCEN Memorandum was originally intended to work in tandem with the Cole Memorandum, the FinCEN Memorandum appears to remain in effect as standalone guidance. Although the FinCEN Memorandum remains intact, indicating that the U.S. Treasury and FinCEN intend to continue abiding by its guidance, it is unclear whether the Biden administration will continue to follow the guidelines set forth under the FinCEN Memorandum.

In March 2019, the U.S. House of Representatives introduced the Secure and Fair Enforcement Banking Act (the "SAFE Banking Act") which creates protections for financial institutions that provide banking services to businesses acting in compliance with applicable state cannabis laws. Most recently, on July 19, 2021, the America Creating Opportunities for Manufacturing, Pre-Eminence in Technology, and Economic Strength Act of 2022 (the "America COMPETES Act of 2022") was introduced in the U.S. House of Representatives. The America COMPETES Act of 2022 includes provisions of the SAFE Banking Act and sets out financial regulations for cannabis-related businesses and revises other aspects of the financial system with regard to cannabis-related businesses. On February 4, 2022, a majority of the U.S. House of Representatives passed the America COMPETES Act of 2022; however, it did not pass the U.S. Senate. The SAFE Banking Act was again introduced in the House and passed as an amendment to the FY 2023 National Defense Authorization Act, but the amendment did not pass in the Senate at the close of the 2022 congressional session. This marked the seventh time that the U.S. House of Representatives have advanced SAFE Banking to the U.S. Senate.

There can be no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. In addition, local and city ordinances may strictly limit and/or restrict the distribution of cannabis in a manner that could make it difficult or impossible to operate cannabis businesses in certain jurisdictions.

Hemp

On December 20, 2018, the U.S. Agriculture Improvement Act of 2018 (the "2018 Farm Bill") was signed into law. Prior to its enactment, the U.S. federal government did not distinguish between cannabis and hemp and the entire plant species Cannabis sativa L. (subject to narrow exceptions applicable to specific portions of the plant) was scheduled as a controlled substance under the CSA. Therefore, the cultivation of hemp for any purpose in the United States without a Schedule I registration with the U.S. Drug Enforcement Agency ("DEA") was federally illegal, unless exempted by Section 7606 of the Agricultural Act of 2014 (the "2014 Farm Bill"). The 2018 Farm Bill removed hemp (which is defined as "the plant Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3 percent on a dry weight basis") and its derivatives, extracts and cannabinoids, including CBD derived from hemp, from the definition of marijuana in the CSA, thereby removing hemp and its derivatives from DEA purview as a controlled substance. The 2018 Farm Bill also amends the Agricultural Marketing Act of 1946 to allow for the commercial production of hemp in the United States under the purview of the United States Department of Agriculture (the "USDA") in coordination with state departments of agriculture that elect to have primary regulatory authority over hemp production in their respective jurisdictions. Pursuant to the 2018 Farm Bill, states, U.S. territories and tribal governments may adopt their own regulatory plans for hemp production even if more restrictive than federal regulations so long as they meet minimum federal standards and are approved by the USDA. Hemp production in states and tribal territories that do not choose to submit their own plans and that do not prohibit hemp production will be governed by USDA regulations.

On October 31, 2019, the USDA issued an interim final rule governing the domestic production of hemp under the 2018 Farm Bill, establishing the U.S. Domestic Hemp Production Program (the "USDA IFR"). The USDA IFR outlines the requirements for the USDA to approve plans submitted by states and tribal governments for the domestic production of hemp. It also establishes a federal plan for hemp producers in states or territories of Native American tribes that do not have USDA-approved hemp production plans. Pursuant to the USDA IFR, the USDA reviews hemp production plans submitted by state and tribal governments that wish to obtain or retain primary regulatory authority over hemp production in their respective jurisdictions. Once the USDA formally receives a plan from a state or tribal government, the agency has 60 days to review and approve or reject the plan.

Although the USDA IFR provides the framework for the USDA, state departments of agriculture and tribal governments to begin the implementation of commercial hemp production programs pursuant to the 2018 Farm Bill, the 2014 Farm Bill was scheduled to remain in effect for one year after the effective date of the USDA IFR. On January 15, 2021, the USDA issued a final rule on hemp production which incorporates modifications established under the USDA IFR published in October 2019. The rule became effective on March 22, 2021 and outlines, among other things, the licensing requirements, recordkeeping requirements, procedures for testing THC concentrations and, procedures for disposing of non-compliant plants.

The application of the hemp provisions of the 2014 Farm Bill was initially set to expire on October 31, 2020, at which time state programs would be required to comply with the 2018 Farm Bill regulations. However, U.S. Senators and state agricultural departments requested an extension of the application of the 2014 Farm Bill and a delay of the implementation of the 2018 Farm Bill due to delays caused by COVID-19. Although, as a result of the extension, the 2014 Farm Bill was set to expire on December 31, 2021, it was extended until January 1, 2022, by the Continuing Appropriations Act of 2021. As of January 1, 2022, there have been no further extensions and all states must either have a USDA-approved hemp product plan, or grant regulatory oversight over hemp cultivation to the USDA.

Under the 2018 Farm Bill, states and tribal governments have authority to adopt regulatory regimes that are more restrictive than federal mandates or prohibit hemp production altogether. Accordingly, variance in hemp regulation across jurisdictions is likely to persist. Compliance with state hemp law, if any, is required under the 2018 Farm Bill.

As a result of the 2018 Farm Bill, federal law now provides that CBD derived from hemp is not a controlled substance under the CSA; however, CBD derived from hemp could still be considered a controlled substance under applicable state law. States take varying approaches to regulating the production and sale of hemp and hemp-derived CBD. While some states explicitly authorize and regulate the production and sale of CBD or otherwise provide legal protection for authorized individuals and businesses to engage in commercial hemp activities, other states maintain outdated drug laws that do not distinguish hemp or hemp-derived CBD from marijuana (or "cannabis" as used herein), resulting in hemp being classified as a controlled substance under certain state laws. In these states, the sale of CBD, notwithstanding its origin, is either restricted to state medical or adult-use cannabis program licensees or remains unlawful. Additionally, a number of states prohibit the sale of consumable CBD products based on the position of the FDA set forth in the Federal Food, Drug and Cosmetic Act (the "FFDCA") that it is unlawful to introduce food containing added CBD or THC into interstate commerce, or to market CBD or THC products as or in dietary supplements regardless of whether the substances are hemp-derived.

The 2018 Farm Bill preserves the authority and jurisdiction of the FDA under the FFDCA to regulate the manufacture, marketing and sale of food, drugs, dietary supplements and cosmetics, including products that contain hemp extracts and derivatives such as CBD. As a producer and marketer of hemp-derived products, we are required to comply with FDA regulations applicable to the manufacturing and marketing of such products, including with respect to dietary supplements, food and cosmetics. To date, the FDA has not deemed CBD or other cannabinoids permissible for use in dietary supplements, as dietary ingredients, or as safe for use in food. The FDA has consistently taken the position that CBD is prohibited from being marketed as a dietary supplement or added to food because substantial clinical trials studying CBD as a new drug must be made public prior to the marketing of any food or dietary supplements containing CBD.

The FDA has issued warning letters to companies unlawfully marketing CBD products. In many of these cases, the manufacturer made unsubstantiated claims that products containing CBD are able to treat serious medical conditions, including cancer, Alzheimer's disease, opioid withdrawal and anxiety, among others, without obtaining drug approvals. Some of these letters were co-signed with the U.S. Federal Trade Commission and cited the companies for making claims about the efficacy of CBD that were not substantiated by scientific evidence.

The FDA has stated that it recognizes the potential opportunities and significant interest in drugs and consumer products containing CBD, is committed to evaluating the agency's regulatory policies related to CBD and has established a high-level internal working group to explore potential pathways for various types of CBD products to be lawfully marketed. The FDA has authority to issue regulation that would allow these naturally-occurring hemp compounds to be added to food or dietary supplements. In May 2019, the FDA held a public hearing to obtain scientific data and information about the safety, manufacturing, product quality, marketing, labeling and sale of products containing cannabis or cannabis-derived compounds.

Notwithstanding the foregoing, other than Epidiolex (cannabidiol), a cannabis-derived product, and three synthetic cannabis-related drug products (Marinol (dronabinol), Syndros (dronabinol) and Cesamet (nabilone)), the FDA has not approved a marketing application for cannabis for the treatment of any disease or condition and has not approved any cannabis, cannabis-derived or CBD products. See Risk Factors—Our products are not approved by the FDA or any other federal governmental authority; and There is uncertainty surrounding the regulatory pathway for CBD.

In connection with the Further Consolidated Appropriations Act, 2020, the House Committee on Appropriations issued an explanatory statement agreeing to appropriate $2.0 million in funding to the FDA for research, policy evaluation, market surveillance and issuance of an enforcement discretion policy for products under the FDA's jurisdiction that contain CBD. The legislation required the FDA to provide a report within 60 days regarding its progress in obtaining and analyzing data to help determine a policy of enforcement discretion and the process through which CBD will be evaluated for use in products. On March 5, 2020, the FDA issued a report on its progress and committed to expanding its educational efforts regarding CBD products, encouraging, facilitating and initiating more research on CBD, continuing to monitor the CBD marketplace and take appropriate action against unlawful CBD products that pose a risk of harm to the public and developing a risk-based enforcement policy aimed at protecting the public and providing more regulatory clarity regarding the FDA's CBD enforcement priorities. The FDA was also required to conduct a sampling study of the current CBD marketplace to determine the extent to which products containing CBD are mislabeled or adulterated within 180 days of the enactment of the Further Consolidated Appropriations Act, 2020.

On July 9, 2020, the FDA issued its sampling study to the U.S. House Committee on Appropriations and the U.S. Senate Committee on Appropriations detailing the sampling conducted in recent years on CBD products. While the minority of CBD products previously tested by the FDA contained CBD concentrations consistent with their labeling, the report states that a majority of products tested for potentially harmful elements "did not raise significant public health concerns." The report further provides that the FDA will undertake a more extensive sampling effort expected to cover a representative sample of currently marketed CBD products, including tinctures, oils, extracts, capsules, powders, gummies, water and other beverages, conventional foods, cosmetics, lubricants, tampons, suppositories, vape cartridges and products sold for consumption by pets. Products will be evaluated for cannabinoid content as well as potentially harmful elements.

The rules, regulations and enforcement in this area continue to evolve and develop. On August 20, 2020, the DEA issued an interim final rule conforming its regulations to the 2018 Farm Bill (the "DEA IFR"), which went into effect on August 21, 2020. Notably, the DEA IFR creates uncertainty with respect to the federal legal status of any hemp derivative, extract, or product that exceeds a delta-9 tetrahydrocannabinol concentration of 0.3 percent during processing, which, pursuant to the DEA IFR, renders it a federal Schedule I substance under the CSA even if the hemp plant from which any such material is sourced does not exceed the 0.3 percent threshold.

On September 4, 2020, the Hemp and Hemp-Derived CBD Consumer Protection and Market Stabilization Act of 2020 was initially introduced in the U.S. House of Representatives and was reintroduced in the U.S. House of Representatives on February 4, 2021. The Hemp and Hemp-Derived CBD Consumer Protection and Market Stabilization Act of 2020 permits the inclusion of hemp and CBD derived from hemp as ingredients in dietary supplements that otherwise comply with the applicable requirements for dietary supplements set forth in the FFDCA and the Fair Packaging and Labeling Act. The bill does not address the inclusion of hemp or CBD derived from hemp as ingredients in food products, and it is unclear whether it will ultimately be passed and signed into law.

On January 8, 2021, the FDA issued a report stating that more real-world data on CBD use and safety, alongside data from other types of studies, is needed to fill in the current gaps in the FDA's understanding of the safety profile of CBD and many other cannabis-derived compounds, including potential safety risks for people and animals. Until these gaps are filled and the FDA formally adopts regulations authorizing the production and sale of CBD products as food and/or dietary supplements, there is a risk that the FDA could take enforcement action against us. Failure to comply with FDA requirements may result in, among other things, warning letters, injunctions, product withdrawals, recalls, seizures, fines and criminal prosecutions. We continue to closely monitor FDA developments with respect to CBD and our compliance with applicable United States laws relating to hemp, including the FDA's regulations of CBD and evaluate and implement appropriate compliance measures on an ongoing basis.

On February 8, 2022, the Hemp Advancement Act of 2022 was introduced in the U.S. House of Representatives. The Hemp Advancement Act of 2022 would raise the permitted THC threshold for hemp and in-process hemp extract, remove the requirement that hemp testing occur at DEA-registered facilities, and allow people with drug-related felony convictions to receive a hemp license. The 2018 Farm Bill is set to expire in September 2023. Congress is currently considering a number of reforms to protect public safety and benefit the hemp industry for inclusion in the next iteration of the Farm Bill. Such provisions may seek to address requirements such as DEA-registered testing labs, short testing windows, background checks for hemp growers, and the low THC limit for hemp. Lawmakers are also considering inclusion of provisions from the Hemp Advancement Act into the next Farm Bill.

Application of Cannabis Regulations in the United States

Violations of U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions, or settlements arising from either civil or criminal proceedings brought by either the U.S. federal government or private citizens, including, but not limited to, disgorgement of profits, seizure of property or products, cessation of business activities, or divestiture. Our cannabis business activities and the cannabis business activities of our subsidiaries, while believed to be compliant with applicable U.S. state and local laws, currently are illegal under U.S. federal law.

Cannabis regulations in Canada

We do not, directly or indirectly, engage in the cultivation, processing, or dispensing of cannabis or any other cannabis-related activity in Canada. As such, to our knowledge, our Canadian corporate operations are not subject to any cannabis regulations in Canada.

Employees

As of March 24, 2023, we had 748 full-time and 152 part-time employees. Certain of our employees have elected to be represented by the United Food and Commercial Workers ("UFCW") International Union in New York, New Jersey and Massachusetts. Of our employees, 35 are represented by four collective bargaining agreements and 11 employees have elected to be represented by the UFCW International Union, but we have not entered into a collective bargaining agreement with the UFCW International Union relating to these employees yet. We believe that we maintain good relations with our employees.

Corporate Information

We are a company incorporated under the laws of British Columbia, Canada. We were incorporated on November 15, 2013 under the name Genarca Holdings Ltd., and on August 4, 2016, we changed our name to iAnthus Capital Holdings, Inc. Our corporate headquarters is located at 420 Lexington Avenue, Suite 414, New York, NY 10170 and our telephone number is (646) 518-9411. Our common shares, no par value, are listed on the Canadian Securities Exchange ("CSE") under the symbol "IAN" and quoted on the OTC Pink Tier of the OTC Markets Group, Inc. under the symbol "ITHUF."

Available Information

Our website address is www.ianthus.com. The contents of, or information accessible through, our website are not part of this Annual Report on Form 10-K, and our website address is included in this document as an inactive textual reference only. We make our filings with the U.S. Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all amendments to those reports, available free of charge on our website as soon as reasonably practicable after we file such reports with, or furnish such reports to, the SEC. The public may read and copy the materials we file with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. Additionally, the SEC maintains an internet site that contains reports, proxy and information statements and other information. The address of the SEC's website is www.sec.gov. The information contained on the SEC's website is not intended to be a part of this filing.

ITEM 1A. RISK FACTORS.

Risks Related to Our Company

We may not be able to execute our merger and acquisition strategy successfully.

Our business plan depends in part on our ability to continue merging with or acquiring other businesses in the cannabis industry, including cultivators, processors, manufacturers and dispensaries.

Any future mergers or acquisitions, or similar transactions, that we execute will be subject to conditions, which may include, without limitation, our satisfactory completion of due diligence, negotiation and finalization of formal legal documents, financing and approval from our Board of Directors and requisite regulatory approvals. As a result, there can be no assurance that we will complete any such transactions. If we do not complete such transactions, we may be subject to a number of risks, including, but not limited to:

- a decline in the price of our common shares to the extent that the current market price reflects a market assumption that these transactions will be completed;
- the payment of certain costs related to each transaction, such as legal, accounting and consulting fees, even if a transaction is not completed; and
- an absence of assurance that such opportunities will be available to us in the future, or at all.

Furthermore, any future merger or acquisition may result in the diversion of management's attention from other business concerns. In addition, such transactions may be dilutive to our financial results and/or result in impairment charges and write-offs. Such transactions could involve other risks, including the assumption of unidentified or unknown liabilities, disputes or contingencies, for which we, as a successor owner, may be responsible, and/or changes in the industry, location, or regulatory or political environment in which these investments are located, that our due diligence review may not adequately uncover and that may arise after entering into such transactions.

The success of any future acquisition will depend upon, among other things, our ability to integrate acquired personnel, operations, products and technologies into our organization effectively, to retain and motivate key personnel of acquired businesses, to retain their customers and maintain product quality.

We compete for market share with other companies, which may have longer operating histories, more financial resources and more manufacturing and marketing experience than we do.

We face and expect to continue to face competition from other companies some of which may have longer operating histories, more financial resources, more experience and greater brand recognition than us. Increased competition by larger and well-financed competitors and/or competitors that have longer operating histories, greater brand recognition and more manufacturing and marketing experience than us could have a material adverse effect on our business, financial condition and results of operations. As we operate in an early stage industry, we expect to face additional competition from new entrants. Specifically, we expect to face additional competition from new market entrants that are granted licenses within a particular state in which we operate or existing license holders which are not yet active in the industry. If a significant number of new licenses are granted, we may experience increased competition for market share and downward price pressure on our products as new entrants increase production, which could have a material adverse effect on our business.

In addition, if the number of users of cannabis increases, the demand for products will increase and we expect that competition will become more intense, as current and future competitors begin to offer an increasing number of diversified products. To remain competitive, we will require a continued high level of investment in research and development together with marketing, sales and other support. We may not have sufficient resources to maintain research and development and sales efforts on a competitive basis, which could have a material adverse effect on our business, financial condition and results of operations.

Our U.S. tax classification could have a material adverse effect on our financial condition and results of operations.

Although we are, and will continue to be a Canadian corporation, we are classified as a U.S. domestic corporation for U.S. federal income tax purposes under Section 7874(b) of the U.S. Internal Revenue Code of 1986, as amended (the "U.S. Tax Code") and are subject to U.S. federal income tax on our worldwide income. However, for Canadian tax purposes, regardless of any application of Section 7874 of the U.S. Tax Code, we are treated as a Canadian resident corporation. As a result, we are subject to taxation in both Canada and the United States, which could have a material adverse effect on our financial condition and results of operations. It is unlikely that we will pay any dividends on our common shares in the foreseeable future. However, dividends received by shareholders who are residents of Canada for purposes of the Income Tax Act (Canada) (the "Canadian Tax Act") will generally be subject to a 30% U.S. withholding tax. Any such dividends may not qualify for a reduced rate of withholding tax under the U.S.-Canada income tax treaty ("U.S.-Canada Treaty"). In addition, a foreign tax credit or a deduction in respect of foreign taxes may not be available in respect of such taxes. Dividends received by shareholders resident in the United States will not be subject to U.S. withholding tax but will be subject to Canadian withholding tax under the Canadian Tax Act. In the event we pay any dividends, they will be characterized as U.S. source income for purposes of the foreign tax credit rules under the U.S. Tax Code. Accordingly, shareholders resident in the United States generally will not be able to claim a credit for any Canadian tax withheld unless, depending on the circumstances, such shareholders have an excess foreign tax credit limitation due to other foreign source income that is subject to a low or zero rate of foreign tax. Dividends received by shareholders that are residents of neither Canada nor the United States generally will be subject to U.S. withholding tax and Canadian withholding tax. These dividends may not qualify for a reduced rate of U.S. withholding tax under any income tax treaty otherwise applicable to our shareholders, subject to examination of the relevant treaty. Since we are classified as a U.S. domestic corporation for U.S. federal income tax purposes under Section 7874(b) of the U.S. Tax Code, our common shares will be treated as shares of a U.S. domestic corporation and shareholders will be subject to the relevant provisions of the U.S. Tax Code.

Each shareholder should seek tax advice, based on such shareholder's particular facts and circumstances, from an independent tax advisor, including, without limitation, in connection with our classification as a U.S. domestic corporation for U.S. federal income tax purposes under Section 7874(b) of the U.S. Tax Code, the application of the U.S. Tax Code, the application of the U.S.-Canada Treaty, the application of U.S. federal estate and gift taxes, the application of U.S. federal tax withholding requirements, the application of U.S. estimated tax payment requirements and the application of U.S. tax return filing requirements.

We may incur significant tax liabilities under Section 280E of the U.S. Tax Code.

Section 280E of the U.S. Tax Code prohibits businesses from deducting certain expenses associated with trafficking controlled substances (within the meaning of Schedule I and II of the CSA). The Internal Revenue Service of the United States ("IRS") has invoked Section 280E of the U.S. Tax Code in tax audits against various cannabis businesses in the United States that are permitted under applicable state laws. Although the IRS issued a clarification allowing the deduction of certain expenses, the scope of such items is interpreted very narrowly and the bulk of operating costs and general administrative costs are not permissible deductions. As a result, we will have an effective tax rate in the U.S. that is significantly higher than the tax rate typically applicable to U.S. corporations.

Some of our subsidiaries are delinquent in the payment of federal and state income taxes and the IRS has assessed interest and penalties with respect to such delinquent payments which have a material adverse effect on our business.

Some of our subsidiaries have been unable to pay their United States federal and state income taxes for the 2020 and 2021 tax year and $537,725 of estimated United States federal or state income tax payments have been made with respect to the 2022 tax year. Those subsidiaries currently owe $12,501,124 for 2020, $23,050,196 for 2021, and $15,890,466 for 2022 in United States federal income taxes and $495,303 for 2020, $972,110 for 2021, and $2,630,765 for 2022 in state income taxes. In addition, the IRS has assessed against those subsidiaries $3,694,282 in interest and penalties, and state taxing authorities have assessed $2,273,773 in interest and penalties against those subsidiaries. Interest and penalties will continue to accrue for as long as such taxes, interest and penalties remain unpaid. Our subsidiaries are in the process of negotiating payment agreements or "currently not collectable" status with the United States federal and state tax authorities for these amounts owed to delay collection; however, no assurance can be given that our subsidiaries will be successful in negotiating such payment agreements or "currently not collectable" status.

If our goodwill, other intangibles or fixed assets become impaired, we may be required to record a significant charge to earnings.

When we acquire a business, a substantial portion of the purchase price of the acquisition can be allocated to goodwill and other identifiable intangible assets. The amount of the purchase price that is allocated to goodwill and other identifiable intangible assets is determined by the excess of the purchase price over the net identifiable assets acquired. As of December 31, 2022 and 2021, we held intangible assets, including cannabis operations licenses, trade names and brand intangibles, net of amortization of $117.0 and $139.1 million, respectively.

Under U.S. generally accepted accounting principles ("GAAP"), the carrying amount of our goodwill is tested at least annually for impairment on December 31st of each fiscal year. On each quarter end date, we assess whether recent events or changes in circumstances constitute a triggering event requiring us to assess whether goodwill, other intangibles or fixed assets may be impaired before the annual testing date. Occurrences that may constitute a change in circumstances include, but are not limited to, a decline in our share price and market capitalization, decreases in expected future cash flows and slower growth rates in our industry. We review our fixed assets and other finite life intangibles for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. As a result of our annual test, we recognized an impairment loss on intangible assets of $30.6 million and $7.4 million for the years ended December 31, 2022 and 2021, respectively.

Under GAAP, if we determine that goodwill, other intangibles or fixed assets are impaired, we will be required to write down these assets. Any write-down may have a negative effect on our consolidated financial statements. As a result of the continued decrease in our share price during 2020, our share price declined below net book value per share. As a result, we were required to record a significant impairment loss to reduce the amount of goodwill recorded in our financial statements for the year ended December 31, 2020 to $Nil. If the share price continues to remain below the net book value per share, or other negative business factors arise, we may be required to perform additional impairment analyses before our next annual testing date which could result in additional impairment charges on long-lived assets including fixed assets and intangible assets. During 2022 and 2021, as our stock price continued to be below net book value per share, we performed an impairment assessment of each reporting unit, which resulted in an impairment loss on intangibles, right-of-use assets and property, plant and equipment of $30.6 million in our Nevada and Vermont businesses for the year ended December 31, 2022 and an impairment loss on intangibles, right-of-use assets and property, plant and equipment of $5.5 million in our CBD business for the year ended December 31, 2021.

We rely on the operators of our subsidiaries to execute their business plans and operations.

We rely on operators of our subsidiaries to execute on their business plans, produce cannabis products and otherwise conduct day to day operations. As a result, our cash flows are dependent upon the ability of our subsidiaries to operate successfully. The operators of our subsidiaries have significant influence over the results of operations. Further, our interests and the interests of such operators may not always be aligned. As a result, our cash flows are dependent upon the activities of the operators of our subsidiaries, which creates the risk that at any time those third parties may:

- have business interests or targets that are inconsistent with ours;
- take action contrary to our policies or objectives;
- be unable or unwilling to fulfill their obligations under their agreements with us; or
- experience financial, operational or other difficulties, including insolvency, which could limit or suspend their ability to perform their obligations.

In addition, payments may flow through our subsidiaries and there is a risk of delay and additional expense in receiving such payments. Our failure to receive payments in a timely fashion, or at all, may have a material adverse effect on us. In addition, we must rely, in part, on the accuracy and timeliness of the information we receive from our subsidiaries and use such information in our analyses, forecasts and assessments relating to our business. If the information provided to us by any of our subsidiaries contains material inaccuracies or omissions, our ability to accurately forecast or achieve such subsidiary's stated objectives or satisfy our reporting obligations may be materially impaired.

We have invested and may continue to invest in securities of private companies and may hold a minority interest in such companies, which may limit our ability to sell or otherwise transfer those securities and direct management decisions of such companies.

We have invested and may continue to invest in securities of private companies and may hold a minority interest in such companies. In some cases, we may be restricted for a period by contract or applicable securities laws from selling or otherwise transferring those securities. In addition, any securities of private companies in which we invest may not have a liquid market and the inability to sell those securities on a timely basis or at acceptable prices may impair our ability to exit the investments when we consider appropriate. Further, to the extent we hold a minority interest in certain companies, we may be limited in our ability to direct management decisions of such companies.

We have previously experienced negative cash flow from operating activities.

We have previously experienced negative cash flow from operating activities. Although we believe we will achieve positive cash flow from operating activities in future periods, we cannot provide assurance that we will achieve sufficient revenues from sales of cannabis, CBD and/or other related products to maintain profitability or positive cash flow from operating activities. Our inability to maintain profitability or positive cash flow from operating activities could have a material adverse effect on our business, financial condition and results of operations.

There is substantial doubt about our ability to continue as a going concern.

We do not believe that our current cash on hand will be sufficient to fund our projected operating requirements. This raises substantial doubt about our ability to continue as a going concern. In addition, the report of our independent registered public accounting firm on our audited financial statements for each of the two years ended December 31, 2022 and 2021 contains an explanatory paragraph regarding substantial doubt about our ability to continue as a going concern. Our audited financial statements do not include any adjustments that might result from the outcome of the uncertainty regarding our ability to continue as a going concern. This going concern opinion could materially limit our ability to raise additional funds through the issuance of equity or debt securities or otherwise. If we cannot continue as a going concern, our investors may lose their entire investment in our securities. Until we can generate significant cash flows, we expect to satisfy our future cash needs through debt or equity financing; however, there can be no assurance that such capital will be available, or if available, that it will be on terms acceptable to us.

We are a holding company and a majority of our assets are the capital stock of our subsidiaries.

We are a holding company and the majority of our assets are the capital stock of our subsidiaries. As a result, investors are subject to the risks attributable to our subsidiaries. As a holding company, we conduct substantially all of our business through our subsidiaries, which generate substantially all of our revenues. Consequently, our cash flows and ability to complete current or desirable future enhancement opportunities are dependent on the earnings of our subsidiaries and the distribution of those earnings to us. The ability of our subsidiaries to make distributions will depend on their operating results and will be subject to, among other things, applicable laws and regulations which require that solvency and capital standards be maintained and contractual restrictions contained in the instruments governing their debt. In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, holders of indebtedness and trade creditors may be entitled to payment of their claims from the assets of those subsidiaries before we can receive any distributions from our subsidiaries.

We may face limitations on ownership of cannabis licenses.

In certain states, the cannabis laws and regulations limit not only the number of cannabis licenses issued, but also the number of cannabis licenses that one person or entity may own. Such limitations on the ownership of additional licenses within certain states may limit our ability to expand in such states.

We believe that we have and will seek to maintain adequate insurance coverage in respect of risks customarily insured by other companies in our industry; however, premiums for such insurance may not continue to be on terms acceptable to us and there may be coverage limitations and other exclusions that may not be sufficient to cover potential liabilities that we may be exposed to.

We believe that we have, and will seek to maintain, adequate coverage in respect of risks customarily insured by other companies in our industry, including insurance to protect our assets, operations and employees. While our ability to obtain insurance coverage may be limited because of our industry, we believe our insurance coverage addresses all material risks to which we are exposed and is adequate and customary in our current state of operations. However, such insurance is subject to coverage limits and exclusions and may not be available for the risks and hazards to which we may be exposed. In addition, no assurance can be given that such insurance will be adequate to cover our liabilities or will be generally available in the future or, if available, that premiums will be on terms acceptable to us. If we were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, or if we were to incur such liability at a time when we are not able to obtain liability insurance, it could have a material adverse effect on our business, financial condition and results of operations.

Our cannabis cultivation operations are vulnerable to rising energy costs and dependent upon key inputs.

Our cannabis cultivation operations consume considerable amounts of energy making us vulnerable to rising energy costs. Rising or volatile energy costs could have a material adverse effect on our business, financial condition and results of operations. In addition, our business is dependent on a number of key inputs and their related costs, including raw materials and supplies related to our growing operations, as well as electricity, water and other utilities. Some of these inputs may, in the future, be available only from a single supplier or a limited group of suppliers. In such event, if a sole source supplier were to go out of business, we may be unable to find a replacement for such source in a timely manner, or at all. If such sole source supplier were to be acquired by a competitor, that competitor may elect not to sell to us or our subsidiaries in the future. Any significant interruption or negative change in the availability or economics of the supply chain for key inputs or our inability to secure required supplies and services or to do so on appropriate terms could have a material adverse effect on our business, financial condition and results of operations.

We may not be able to transport our products to customers in a safe and efficient manner.

We depend on fast and efficient third-party transportation services to distribute our hemp-based products. Any prolonged disruption of third-party transportation services could have a material adverse effect on our sales volumes or our end users' satisfaction with our services. Rising costs associated with third-party transportation services used by us to ship our hemp-based products may also adversely impact our profitability and more generally our business, financial condition and results of operations.

The security of products during transportation will be of the utmost concern. A breach of security during transport or delivery could result in the loss of high-value product. A failure to take steps necessary to ensure the safekeeping of cannabis and hemp could also have an impact on our ability to operate under our licenses, to renew or receive amendments to such licenses, or to receive required new licenses.

Notwithstanding the passage of the 2018 Farm Bill, local law enforcement officials in Oklahoma and Idaho previously seized shipments of hemp traveling through those states on the grounds that (i) the products qualified as marijuana and were illegal under these states' controlled substances laws and (ii) the interstate transportation provision of the 2018 Farm Bill had not yet taken effect. Criminal charges were also filed. Despite the intent of the 2018 Farm Bill to allow interstate transportation of hemp products—even through states lacking hemp programs—the novelty of the 2018 Farm Bill hemp provision and conflicts among state laws, has created confusion and caused differing interpretations among local authorities. Accordingly, there remains risk of enforcement even when activity is lawful under federal and state law. Notably, on May 28, 2019, the USDA Office of General Counsel issued a legal opinion concluding that, among other things, states may not prohibit the interstate transportation or shipment of hemp, regardless of whether the hemp is produced under the 2014 Farm Bill or the 2018 Farm Bill. This opinion is not binding and certain states have already implemented restrictive documentation requirements on carriers transporting hemp, such as requiring copies of laboratory testing reports, hemp grower licenses, invoice/bill of lading, and contact information of buyer and seller.

The cannabis and hemp industry is subject to the risks inherent in an agricultural business, including the risk of crop failure.

The growing of cannabis and hemp is an agricultural process. As such, a business with operations in the cannabis and hemp industry is subject to the risks inherent in the agricultural business, including risks of crop failure presented by weather, insects, plant diseases and similar agricultural risks. Accordingly, there can be no assurance that artificial or natural elements, such as insects and plant diseases, will not entirely interrupt production activities or have an adverse effect on the production of cannabis and hemp and, accordingly, acquisition prices which could have a material adverse effect on our operations.

There is uncertainty surrounding the regulatory pathway for CBD.

The FDA currently does not permit the marketing of CBD-containing foods or dietary supplements, and we may be subject to enforcement action taken by the FDA concerning products containing derivatives from hemp. On February 4, 2021, Representative Kurt Schrader introduced H.R. 8179, a bill seeking to amend the FFDCA with respect to the regulation of certain hemp-derived CBD and which, if enacted into law, would permit the marketing of hemp-derived CBD and substances containing hemp-derived CBD as dietary supplements under the FFDCA, resolving ambiguity and providing clear guidance to stakeholders about how to comply with applicable FDA law. However, there can be no assurance that such bill will be enacted into law. On January 26, 2023, the FDA denied three citizen petitions asking the FDA to conduct rulemaking to allow the marketing of CBD products as dietary supplements. The FDA has publicly stated that a new regulatory pathway should be created by Congress to provide safeguards and oversight to manage and minimize risks related to CBD products. Any failure by us to comply with FDA requirements may result in, among other things, warning letters, injunctions, product recalls, product seizures, fines and/or criminal prosecutions.

Our products are not approved by the FDA or any other federal governmental authority.

We have medical marijuana licenses in the states of New York, New Jersey, Florida, Maryland, Massachusetts, Vermont, Arizona and Nevada. Where we have medical marijuana licenses, we sell our medical marijuana pursuant to applicable state laws only; however, compliance with states laws does not constitute compliance with the FDA, and the FDA has not approved our products for sale. Cannabis is a Schedule I controlled substance under the U.S. Controlled Substances Act. A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, a lack of safety use under medical supervision and a high potential for abuse. Other than Epidiolex (cannabidiol), a cannabis-derived product, and three synthetic cannabis-related drug products (Marinol (dronabinol), Syndros (dronabinol) and Cesamet (nabilone)), to our knowledge, the FDA has not approved a marketing application for a cannabis or cannabis-derived product for the treatment of any disease or condition. The FDA also has not permitted the marketing of certain CBD-containing products, such as foods, tinctures, gummies, and other ingestible products. Our CBD-containing products are not intended for use in the diagnosis, cure, mitigation, treatment, or prevention of a disease or condition. We can provide no assurance that our products or operations are in compliance with federal regulations, including those enforced by the FDA. Failure to comply with FDA regulations may result in among other things, warning letters, injunctions, product recalls, product seizures, fines and/or criminal prosecutions.

Legislation or regulations which impose substantial new regulatory requirements on the manufacture, packaging, labeling, advertising and distribution and sale of hemp-derived products could harm our business, results of operations, financial condition and prospects.

We believe that the sale of our hemp-derived topical cosmetic products are in compliance with applicable regulations because our hemp products contain less than 0.3% THC and are sold only in states in the United States that have not prohibited the sale of hemp products. The rapidly changing regulatory landscape regarding hemp-derived products presents a substantial risk to the success and ongoing viability of the hemp industry in general and our ability to offer and market hemp-derived products. New legislation or regulations may be introduced at either the federal or state level which, if passed, could impose substantial new regulatory requirements on the manufacture, packaging, labeling, advertising and distribution and sale of hemp-derived products. New legislation or regulations may also require the reformulation, elimination or relabeling of certain products to meet new standards and revisions to certain sales and marketing materials, and it is possible that the costs of complying with these new regulatory requirements could be material.

"Marijuana" is illegal under the CSA. The 2018 Farm Bill modified the definition of "marijuana" in the CSA so that the definition of "marijuana" no longer includes hemp. The 2018 Farm Bill defines hemp as the "plant Cannabis sativa L. and any part of that plant, including the seeds thereof and all derivatives, extracts, cannabinoids, isomers, acids, salts, and salts of isomers, whether growing or not, with a delta-9 tetrahydrocannabinol concentration of not more than 0.3% on a dry weight basis." All of our hemp-derived products contain less than 0.3% delta-9 tetrahydrocannabinol concentration content. As such, we believe that the manufacture, packaging, labeling, advertising, distribution and sale of our hemp-derived products do not violate the CSA. The FDA, however, does not permit the sale or distribution of certain products, including food and dietary supplements (such as tinctures and gummies). If federal or state regulatory authorities, however, were to determine that industrial hemp and derivatives could be treated by federal and state regulatory authorities as "marijuana", we could no longer offer our CBD products legally and could potentially be subject to regulatory action. Violations of United States federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by the United States federal government including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. Any such actions could have a material adverse effect on our business.

The FDA, Federal Trade Commission ("FTC") and their state-level equivalents, also possess broad authority to enforce the provisions of federal and state law, respectively, applicable to consumer products and safeguards as such relate to foods, dietary supplements and cosmetics, including powers to issue a public warning or notice of violation letter to a Company, publicize information about illegal products, detain products intended for import or export (in conjunction with U.S. Customs and Border Protection) or otherwise deemed illegal, request a recall of illegal products from the market, and request the Department of Justice, or the state-level equivalent, to initiate a seizure action, an injunction action, or a criminal prosecution in the U.S. or respective state courts. The initiation of any regulatory action towards industrial hemp or hemp derivatives by the FDA, FTC or any other related federal or state agency, would result in greater legal cost to the Company, may result in substantial financial penalties and enjoinment from certain business- related activities, and if such actions were publicly reported, they may have a materially adverse effect on our business and its results of operations.

We are dependent on the popularity of consumer acceptance of cannabis and hemp products.

We believe the cannabis and hemp industries are highly dependent upon consumer perception regarding the safety, efficacy and quality of cannabis and related products distributed to such consumers. Consumer perception can be significantly influenced by scientific research or findings, regulatory investigations, litigation, media attention and other publicity regarding the consumption of cannabis and hemp-based products. There has been limited scientific research on cannabis and hemp and there can be no assurance that future scientific research, findings, regulatory proceedings, litigation, media attention, or other research findings or publicity will be favorable to the cannabis and hemp market or any particular product, or consistent with earlier publicity. Future research reports, findings, regulatory proceedings, litigation, media attention, or other publicity that are perceived as less favorable than, or that question, earlier research reports, findings, or publicity could have a material adverse effect on the demand for our products and on our business, financial condition and results of operations. Further, adverse publicity reports or other media attention regarding the safety, efficacy and quality of cannabis, hemp and related products in general, or our products specifically, or associating the consumption of cannabis and hemp or related products with illness or other negative effects or events, could also have such a material adverse effect. Such adverse publicity reports or other media attention could have such a material adverse effect even if the adverse effects associated with such products resulted from consumers' failure to consume such products appropriately or as directed. The increased usage of social media and other web-based tools used to generate, publish and discuss user- generated content and to connect with other users has made it increasingly easier for individuals and groups to communicate and share opinions and views in regard to our business and activities, whether true or not. Although we take care in protecting our image and reputation, we do not ultimately have direct control over how it is perceived by others. Reputational loss may result in decreased investor confidence, increased challenges in developing and maintaining community relations and an impediment to our overall ability to advance our projects, thereby having a material adverse impact on our financial performance, financial condition, cash flows and growth prospects.

Furthermore, adverse publicity reports or other media attention could hinder market growth and state legalization of cannabis due to inconsistent public opinion and perception of the medical and adult-use cannabis industry. While public opinion and support appears to be rising for legalizing the use of cannabis for medical and adult use, especially in the United States, it remains a controversial issue subject to differing opinions surrounding the level of legalization (for example, decriminalizing cannabis as opposed to full legalization). If consumers do not accept our cannabis or hemp products, or if we fail to meet customers' needs and expectations adequately, our ability to continue generating revenues could be reduced which could have a material adverse effect on our business.

The presence of trace amounts of THC in our hemp products may cause adverse consequences to users of such products that will expose us to the risk of liability and other consequences.

Some of our products that are intended to primarily contain U.S. hemp-derived CBD may contain trace amounts of THC. THC is an illegal or controlled substance in many jurisdictions, including under the federal laws of the U.S. Whether or not ingestion of THC (at low levels or otherwise) is permitted in a particular jurisdiction, there may be adverse consequences to consumers of our U.S. hemp products who test positive for any amounts of THC, even trace amounts, because of the presence of unintentional amounts of THC in our hemp products. In addition, certain metabolic processes in the body may negatively affect the results of drug tests. As a result, we may have to recall our products from the market. Positive tests for THC may adversely affect our reputation and our ability to obtain or retain customers. A claim or regulatory action against us based on such positive test results could materially and adversely affect our business, financial condition, operating results, liquidity, cash flow and operational performance.

We will need additional capital to sustain our operations and will likely need to seek further financing, which may not be on acceptable terms, if at all. If we fail to raise additional capital, as needed, our ability to implement our business model and strategy could be limited.

We have limited capital resources and operations. Our net losses for the year ended December 31, 2022 and 2021 were $449.4 million and $77.5 million, respectively, and our accumulated deficit as of December 31, 2022 and 2021 was $1,251.0 million and $801.6 million, respectively. To date, our operations have been funded primarily from the proceeds of debt and equity financings, and we may require additional equity and/or debt financing to support on-going operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to us when needed or on terms which are acceptable. If additional capital is raised through further issuances of equity or debt securities, existing holders of our common shares could suffer further dilution, and any new equity securities issued could have rights, preferences and privileges superior to our existing common shareholders. Furthermore, our outstanding debt instruments impose certain restrictions on our operating and financing activities, including certain restrictions on our ability to incur certain additional indebtedness, grant liens, make certain dividends and other payment restrictions affecting our subsidiaries, issue shares or convertible securities and sell certain assets. In addition, any debt financing secured in the future could also involve restrictive covenants relating to capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and to pursue business opportunities, including potential acquisitions.

Moreover, due to the fact that cannabis is illegal under U.S. federal law, we may have difficulty attracting investors or raising capital on favorable terms, or at all.

We have outstanding debt instruments that are secured by a security interest in all of our assets and our failure to comply with the terms and covenants of such debt instruments could result in our loss of all of our assets.

We have outstanding debt instruments that are secured by a security interest in all of our assets. If we fail to comply with the covenants set forth in the debt instruments or if we fail to make certain payments under the debt instruments when due, the holders of such debt could declare the debt instruments in default. If we default on any such debt instruments, the holders have the right to seize our assets that secure the debt instruments, which may force us to suspend all operations.

We and our subsidiaries have limited operating histories and therefore we are subject to many of the risks common to early-stage enterprises.

We and certain of our subsidiaries have limited operating histories, which may make evaluating our business and future prospects difficult and may increase the risk of an investment in our business. We may face certain risks and difficulties as an early-stage company with a limited operating history, including under-capitalization, cash shortages, limitations with respect to personnel, financial and other resources and lack of revenue. Our ability to manage growth effectively will require us to manage our subsidiaries effectively and continue to implement and improve our operational and financial systems and to expand, train and manage our employees. There is no assurance that we will be able to manage growth effectively. If we do not successfully address these risks, it could have a material adverse effect on our business, financial condition and results of operations.

We depend on key personnel to operate our business, and if we are unable to retain, attract and integrate qualified personnel, our ability to develop and successfully grow our business could be harmed.

We believe our success has depended and will continue to depend on the efforts and talents of our executives and employees. Our future success depends on our continuing ability to attract, develop, motivate and retain highly qualified and skilled employees, including employees with sufficient experience in the cannabis industry. Qualified individuals, including individuals with sufficient experience in the cannabis industry, are in high demand, and we may incur significant costs to attract and retain such individuals. In addition, the loss of any of our key employees or senior management could have a material adverse effect on our ability to execute our business plan and strategy, and we may not be able to find adequate replacements on a timely basis, or at all. Our executive officers and other employees are at will employees, which means they may terminate their employment relationship with us at any time, and their knowledge of our business and industry would be extremely difficult to replace. We may not be able to retain the services of any members of our senior management or other key employees. If we do not succeed in attracting well-qualified employees or retaining and motivating existing employees, it could have a material adverse effect on our business, financial condition and results of operations.

We may have increased labor costs based on union activity.

Certain of our employees in New Jersey, New York and Massachusetts have elected to unionize with the United Food and Commercial Workers Union. In general, labor unions are working to organize workforces in the cannabis industry in general. It is possible that certain retail and/or manufacturing locations will be organized in the future, which could lead to work stoppages or increased labor costs and adversely affect our business. We cannot predict how stable our relationships with U.S. labor organizations would be or whether we would be able to meet any unions' requirements without impacting our financial condition. Labor unions may also limit our flexibility in dealing with our workforce. Work stoppages and instability in our union relationships could delay the production and sale of our products, which could strain relationships with customers and cause a loss of revenues which would adversely affect our operations.

We may have difficulty accessing the services of banks, which may make it difficult for us to operate.

Since cannabis and certain cannabis-related activities are illegal under U.S. federal law and certain state laws, many banks and other financial institutions will not accept the deposit of funds from cannabis-related businesses and will close deposit accounts upon discovery that the account contains such funds. Financial transactions involving proceeds generated by cannabis-related activities can form the basis for prosecution under the U.S. federal anti-money laundering statutes, unlicensed money transmitter statute and the Bank Secrecy Act. The Bank Secrecy Act, enforced by FinCEN, requires our banks and financial institutions with which we do business to file currency transaction reports for currency transactions in excess of $10,000, including identification of the customer by name and social security number, to the IRS. This regulation also requires those banks and financial institutions to file suspicious activity reports with respect to certain suspicious activity, including any transaction that exceeds $5,000 that they know, suspect, or have reason to believe involves funds from illegal activity (including funds from cannabis-related businesses) or is designed to evade U.S. federal regulations or reporting requirements and to verify sources of funds. Substantial penalties can be imposed against those banks and financial institutions if they fail to comply with these laws and regulations. In recent years, anti-money laundering enforcement has included the assessment of money penalties that, in some cases, have been very substantial amounts, the acceptance of responsibility and admission regarding the facts by the company involved, actions focused on individual officers, including compliance officers, of the company involved and seizure and forfeiture of company property and its proceeds. If those banks and financial institutions fail to comply with this regulation and other laws and regulations, FinCEN and other regulatory agencies may impose substantial penalties on those banks and financial institutions.

For the reasons noted above, despite the guidance set forth to banks under the FinCEN Memorandum, banks remain hesitant to offer banking services to cannabis-related businesses. Consequently, those businesses involved in the cannabis industry continue to encounter difficulty establishing and maintaining banking relationships. Our inability to maintain our current bank accounts would make it difficult for us to operate our business, increase our operating costs and impose additional operational, logistical and security challenges and could result in our inability to implement our business plan, which could have a material adverse effect on our business, financial condition and results of operations.

We compete for market share with illicit cannabis businesses and other persons engaging in illicit cannabis-related activities, and each such business or other person likely is not adhering to the same laws, regulations, rules and other restrictions that are applicable to us.

We face and expect to continue to face competition from illicit cannabis businesses, which are unlicensed and unregulated and other persons engaging in illicit cannabis-related activities. These illicit cannabis businesses and other persons are cultivating and/or selling cannabis while likely not adhering to the same laws, regulations, rules and other restrictions that are applicable to us. Further, these illicit cannabis businesses and other persons may be able to offer products with higher concentrations of active ingredients than we are authorized to produce and sell, and using delivery methods, including edibles, concentrates and extract vaporizers, that we may be prohibited from offering in certain of the states in which we operate. The competition presented by these illicit cannabis businesses and other persons and the inability or unwillingness of law enforcement authorities to enforce existing laws prohibiting the unlicensed or otherwise illegal cultivation and sale of cannabis could result in the perpetuation of the illegal market for cannabis and/or have a material adverse effect on the perception of cannabis use.

In addition, we must follow certain state regulations to set the retail prices of our cannabis, which regulations are not applicable to illicit cannabis businesses and other persons engaging in illicit cannabis related-activities. In determining the retail prices of our cannabis, we must consider a number of factors, including the price of cannabis in the existing illicit market in the event our prices are too high and the risk of our customers reselling our cannabis in the event our prices are too low. If we do not appropriately set retail prices on our cannabis products, we may have difficulty competing with illicit cannabis businesses and other persons, which may have a material adverse effect on our business.

We may be subject to constraints on marketing our products.

There may be restrictions on sales and marketing activities imposed by government regulatory bodies that can hinder the development of our business and operating results. Restrictions may include regulations that specify what, where and to whom product information and descriptions may appear and/or be advertised. Marketing, advertising, packaging and labeling regulations also vary from state to state, potentially limiting the consistency and scale of consumer branding communication and product education efforts. The regulatory environment in the U.S. limits our ability to compete for market share in a manner similar to other industries. If we are unable to effectively market our products and compete for market share, or if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for our products, our sales and operating results could be adversely affected.

Servicing our debt will require a significant amount of cash, and we may not have sufficient cash flow from our business to pay our debt obligations.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our current and future indebtedness depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. There are no assurances that our operations will generate sufficient cash flow to service our debt. If we are unable to generate such cash flow, we are limited by our current debt in our ability to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional equity capital. Further, even if we were permitted to adopt one or more alternatives under our current debt documents, our ability to refinance our existing debt or obtain additional equity capital will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms.

Our operations could be adversely affected by events outside of our control such as natural disasters, wars or health epidemics.

We may be impacted by business interruptions resulting from pandemics and public health emergencies, including those related to the novel coronavirus known as COVID-19 which surfaced in Wuhan, China in December 2019, geopolitical actions, including war and terrorism or natural disasters including earthquakes, hurricanes, floods and fires. An outbreak of infectious disease, a pandemic, or a similar public health threat, such as the outbreak of COVID-19, or a fear of any of the foregoing, could adversely impact our business by causing operating, manufacturing, supply chain and project development delays and disruptions, labor shortages, travel and shipping disruption and shutdowns (including as a result of government regulation and preventative measures). For example, COVID-19 previously resulted in the temporary closures of some of our facilities; labor shortages; adverse impacts on our supply chain and distribution channels; and the potential for increased network vulnerability and risk of data loss resulting from increased use of remote access and removal of data from our facilities. In addition, a health epidemic such as COVID-19 could negatively impact capital expenditures and overall economic activity in the impacted regions or depending on the severity, globally, which could impact the demand for our products and services. The ultimate impact of the COVID-19 pandemic, or any other health epidemic, is highly uncertain and subject to change. We do not yet know the full extent of potential delays or impacts on our business. However, these effects could have a material impact on our operating results, financial condition and trading price of our common shares.

Certain events or developments in the cannabis industry more generally may affect our business.

Cannabis is illegal under U.S. federal law and there is limited scientific evidence to verify the medical or therapeutic benefits associated with cannabis; any such evidence remains mostly anecdotal. In addition, there is no clear scientific evidence to suggest whether cannabis consumption can result in long-term health effects or any adverse public health consequences. Further, the cannabis industry has commonly been associated with certain criminal activities, including organized crime. The actual or perceived occurrence of any number of events, including publication of any negative scientific research or the actions and/or wrongdoing of other businesses and individuals in the cannabis industry, may negatively affect the reputation of the industry as a whole, and may cause potential investors to no longer invest in our securities or the cannabis industry in general.

We ultimately do not have control over how the cannabis industry, or our business is perceived by others. Any reputational issues may result in decreased investor confidence, increased challenges in developing and maintaining community relations and present an impediment to our overall ability to advance our business strategy and realize our growth prospects.

Cannabis pricing and supply regulation may adversely affect our business.

Certain states require cannabis dispensaries to submit cannabis pricing for licensing approval in order to ensure that the cost of cannabis in the regulated market is neither too high, which among other things may encourage the purchase of cannabis from illicit cannabis business, or too low, which among other things may increase the risk of legally purchased cannabis being resold illicitly. Additionally, certain states regulate the operations of cultivators to address oversupply of local markets. Our ability to adjust sale prices at our dispensaries or production volumes at our cultivation facilities may be affected by such pricing and supply regulations, which could have a material adverse impact on our ability to adapt to local market conditions.

High state and local excise and other taxes on cannabis products and compliance costs may adversely affect our business.

Certain states impose significant excise taxes on products sold at licensed cannabis dispensaries, which taxes in some states exceed 15%. Local jurisdictions typically impose additional taxes on cannabis products. Furthermore, we incur significant costs complying with state and local laws and regulations. Collectively, federal, state and local taxes may place a substantial burden on our revenue which could have a material adverse effect on our business.

Litigation, complaints, enforcement actions and governmental inquiries could have a material adverse effect on our business, financial condition and results of operations.

We (directly or through our subsidiaries) have been named as a defendant in several legal actions and are subject to various risks and contingencies arising in the normal course of business. Furthermore, our participation in the cannabis industry may lead to further litigation, formal or informal complaints, enforcement actions and governmental inquiries. Litigation, complaints, enforcement actions and governmental inquiries could consume considerable amounts of our financial and other resources, which could have a material adverse effect on our sales, revenue, profitability and growth prospects. Our subsidiaries are presently engaged in the lawful cultivation, processing and sale of cannabis under state law in the jurisdictions in which they operate, and we, and our subsidiaries, have not been, and are not currently subject to, any material litigation, complaint, or enforcement action regarding cannabis (or otherwise) brought by any governmental authority.

Litigation, complaints, enforcement actions and governmental inquiries could result from cannabis-related activities in violation of federal law, including, but not limited to, the Racketeer Influenced Corrupt Organizations Act (“RICO”). Among other things, RICO authorizes private parties whose properties or businesses are harmed by such patterns of racketeering activity to initiate a civil action against the individuals involved. A number of RICO lawsuits have been brought by neighbors of state licensed cannabis farms who allege they are bothered by noise and odor associated with cannabis production, which has also led to decreased property values. By alleging that the smell of cannabis interferes with the enjoyment of their property and drives down their property value, plaintiffs in these cases have effectively elevated common law nuisance claims into federal RICO lawsuits. These lawsuits have named not only the cannabis operator, but also supply chain partners and vendors that do not directly handle or otherwise “touch” cannabis.

Further, from time to time in the normal course of our business operations, we or any of our subsidiaries may become subject to litigation, complaints, enforcement actions and governmental inquiries that may result in liability material to our financial statements as a whole or may negatively affect our operating results if changes to our business operations are required. The cost to defend such litigation, complaints, actions, or inquiries may be significant and may require a diversion of our resources, including the attention of our management. There also may be adverse publicity associated with such litigation, complaints, actions, or inquiries that could negatively affect customer perception of our business, regardless of whether the allegations are valid or whether we are ultimately found liable. Insurance may not be sufficient or available to cover any liabilities with respect to these or other matters. A judgment or other liability in excess of our insurance coverage for any claims could have a material adverse effect on our business, financial condition and results of operations.

We currently have insurance coverage protecting many but not all of our assets and operations. Our insurance coverage is subject to coverage limits and exclusions and may not be available for the risks and hazards to which we are exposed. In addition, no assurance can be given that such insurance will be adequate to cover our liabilities or will be generally available in the future or, if available, that premiums will be commercially justifiable. If we were to incur substantial liability and such damages were not covered by insurance or were in excess of policy limits, we may be exposed to material uninsured liabilities that could impede our liquidity, profitability, or solvency.

The resignation of Hadley Ford in 2020 as our Chief Executive Officer could have an adverse impact on our business.

Our Board of Directors formed a special committee (the “Special Committee”) for the purpose of overseeing the investigation into alleged misconduct by Hadley Ford. The Special Committee concluded that Mr. Ford entered into two undisclosed loans (one loan for $100,000 with a related-party and the other for $60,000 with a non-arm’s length party), that such loans created a potential or apparent conflict of interest and that such loans should have been disclosed to our Board of Directors in a timely manner. The Special Committee did not find a basis to conclude that Mr. Ford’s conduct in the face of the potential or apparent conflict of interest impacted the terms, timing, or negotiations we had with the related-party or non-arm’s length party. Nevertheless, the Special Committee concluded, and the Board accepted, that the failure to disclose the two loans to the Board was a breach of our conflict of interest policies and of other obligations that Mr. Ford had as an officer and director of our Company. Based on the findings of the investigation, Mr. Ford resigned from his positions as our Chief Executive Officer and a member of our Board of Directors. In addition, in April 2020, June 2020 and July 2020, several shareholder class action lawsuits were filed against us, largely relating to Mr. Ford’s alleged misconduct. There can be no assurance that, as a result of Mr. Ford’s resignation or the findings of the investigation, we may incur further liability that could arise from additional legal proceedings and/or regulatory investigations, which could have a material adverse impact on our business.

We may lack access to U.S. bankruptcy protections.

Many courts have denied cannabis businesses bankruptcy protections because the use of cannabis is illegal under federal law. In order to receive bankruptcy protections in Canada under the Companies Creditors Arrangement Act, a company must (i) be incorporated under a Canadian statute or hold property in Canada, (ii) owe at least C$5.0 million to its creditors and (iii) be insolvent. If we were to experience a bankruptcy, there is no guarantee that U.S. federal bankruptcy protections would be available to us, which would have a material adverse effect on us.

We may face difficulties in enforcing our contracts.

Because our contracts involve cannabis and other activities that are not legal under federal law and in some state jurisdictions, we may face difficulties in enforcing our contracts in federal courts and certain state courts. We cannot provide assurance that we will have a remedy for breach of contract, which could have a material adverse effect on us.

We may be subject to product liability claims and product recalls.

As a manufacturer and distributor of products designed to be ingested by humans, we face an inherent risk of exposure to product liability claims, regulatory action and litigation if our products are alleged to have caused significant loss or injury. In addition, the manufacture and sale of cannabis and CBD products involves the risk of injury to consumers due to tampering by unauthorized third parties or product contamination, which may affect consumer confidence in our cannabis and/or CBD products. Previously unknown adverse reactions resulting from human consumption of cannabis and CBD products alone or in combination with other medications or substances could occur. We may be subject to various product liability claims, including inadequate warnings concerning possible side effects or interactions with other substances. A product liability claim or regulatory action against us could result in increased costs, adversely affect our reputation with our clients and consumers generally and have a material adverse effect on our business, financial condition and results of operations.

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

In addition, manufacturers and distributors of products are sometimes subject to the recall or return of their products for a variety of reasons, including product defects, such as contamination, unintended harmful side effects or interactions with other substances, packaging safety and inadequate or inaccurate labeling disclosure. If one or more of our products are recalled due to an alleged product defect or for any other reason, we could be required to incur the unexpected expense of the recall and any legal proceedings that might arise in connection with the recall. We may lose a significant amount of sales and may not be able to replace those sales at an acceptable margin, or at all. In addition, a product recall may require significant attention from our management. Although we have detailed procedures in place for testing finished products, there can be no assurance that any quality, potency, or contamination problems will be detected in time to avoid unforeseen product recalls, regulatory action, or lawsuits.

Additionally, if one or more of our products were subject to recall, the reputation of that product and our reputation could be harmed. A recall for any of the foregoing reasons could lead to decreased demand for our products and could have a material adverse effect on our business, financial condition and results of operations. Additionally, product recalls may lead to increased scrutiny of our operations by regulatory agencies in the jurisdictions in which we operate, requiring further attention from our management and potential legal fees and other expenses. Furthermore, any product recall affecting the cannabis or CBD industry more broadly could lead consumers to lose confidence in the safety of the products, which could have a material adverse effect on our business, financial condition and results of operations.

Third parties with whom we do business may perceive themselves as being exposed to reputational risk because of their relationship with us due to our cannabis-related business activities and may as a result, refuse to do business with us.

The third parties with whom we do business may perceive that they are exposed to reputational risk because of our cannabis-related business activities. Any third-party service provider could suspend or withdraw its services if it perceives that the potential risks exceed the potential benefits of providing such services to us. Specifically, while we have banking relationships and believe that the services can be procured from other institutions, we may, in the future, have difficulty maintaining existing or securing new bank accounts or clearing services. Our failure to establish or maintain business relationships could have a material adverse effect on our business, financial condition and results of operations.

We rely on third-party suppliers, manufacturers and contractors.

We rely on third-party suppliers, manufacturers and contractors to provide certain products and services. Due to the uncertain regulatory landscape for regulating cannabis in the United States, our third-party suppliers, manufacturers and contractors may elect, at any time, to decline or withdraw services necessary for our operations and the operations of our subsidiaries. Loss of these suppliers, manufacturers and contractors could have a material adverse effect on our business, financial condition and results of operations.

We may become subject to liability arising from fraudulent or illegal activity by our employees, independent contractors and consultants.

We are exposed to the risk that our employees, independent contractors and consultants may engage in fraudulent or other illegal activity. Misconduct by these parties could include intentional, reckless and/or negligent conduct or disclosure of unauthorized activities that violates manufacturing standards and government regulations and laws including regulations with respect to healthcare fraud, abuse laws and regulations or laws that require the true, complete and accurate reporting of financial information or data. It is not always possible for us to identify and deter misconduct by our employees and other third parties. The precautions we take to detect and prevent such misconduct may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to comply with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending such actions, such actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings and curtailment of our operations, any of which could have a material adverse effect on our business, financial condition and results of operations.

Some of our lines of business rely on our third-party service providers to host and deliver services and data and any interruptions or delays in these hosted services, security or privacy breaches, or failures in data collection could expose us to liability and harm our business and reputation.

Some of our lines of business and services rely on services hosted and controlled directly by third-party service providers. We do not have redundancy for all of our systems, many of our critical applications reside in only one of our data centers, and our disaster recovery planning may not account for all eventualities. If our business relationship with a third-party provider of hosting or software services is negatively affected, if one of our service providers were to terminate its agreement with us, or if there was a security or privacy breach related to one of our third-party service providers, we may not be able to access to our data or our data may be compromised which could subject us to reputational harm and cause us to lose customers and future business, thereby reducing our revenue.

We may experience breaches of security at our facilities or in respect of electronic documents and data storage and may face risks related to breaches of applicable privacy laws.

Given the nature of our cannabis products and the limited legal channels for distribution as well as the concentration of inventory in our facilities, we are subject to the risk of theft of our products and other security breaches. A security breach at one of our facilities could result in a significant loss of available products, expose us to liability under applicable regulations and to potentially costly litigation, or increase expenses relating to the resolution and future prevention of similar thefts, any of which could have an adverse effect on our business, financial condition and results of operations.

In addition, we may collect and store personal information about our customers, and we are responsible for protecting that information from privacy breaches. A security incident at our facilities may compromise the confidentiality, integrity, or availability of customer data. Unauthorized access to customer data stored on our computers or networks may be obtained through break-ins, breaches of our secure network by an unauthorized party, employee theft or misuse, or other misconduct. Unauthorized access to customer data may be obtained through inadequate use of security controls by customers. Accounts created with weak passwords could allow cyber-attackers to gain access to customer data. If there were an inadvertent disclosure of customer information or if a third party were to gain unauthorized access to the information we possess on behalf of our customers, our operations could be disrupted, our reputation could be damaged, and we could be subject to claims or other liabilities, including liability from federal and state governmental agencies. In addition, such perceived or actual unauthorized disclosure of the information we collect or breach of our security could damage our reputation, result in the loss of customers and have a material adverse effect on our business, financial condition and results of operations.

We collect and manage a large amount of data using our hosted solutions. As a result, it is possible that hardware or software failures or errors in our systems (or those of our third-party service providers) could result in data loss or corruption, cause the information that we collect to be incomplete or contain inaccuracies that our customers regard as significant, or cause us to fail to meet committed service levels. Furthermore, our ability to collect and report data may be delayed or interrupted by a number of factors, including access to the Internet, the failure of our network or software systems, or security breaches. In addition, computer viruses or other malware (including ransomware) may harm our systems, causing us to lose data or incur additional costs to retrieve corrupted or encrypted data, and the transmission of computer viruses or other malware could expose us to litigation. We may also find, on occasion, that we cannot deliver data and reports in near real time because of a number of factors, including failures of our network or software. If we supply inaccurate information or experience interruptions in our ability to capture, store and supply information in near real time, or at all, our reputation could be harmed, we could lose customers and/or we could be found liable for damages or incur other losses.

In addition, there are a number of laws protecting the confidentiality of certain of our customers' health information, including health records, and restricting the use and disclosure of that protected information. In the United States, under the administrative simplification provisions of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") and the HIPAA Privacy and Security Rules, 45 C.F.R. Parts 160 and 164, as amended by Title XIII of Division A and Title IV of Division B of the American Recovery and Reinvestment Act ("ARRA") (Pub. L. 111-5) also known as the Health Information Technology for Economic and Clinical Health Act ("HITECH Act") and the HITECH Act Final Rule published January 25, 2013 ("HITECH Act Final Rule"), the U.S. Department of Health and Human Services has issued regulations which establish uniform standards governing the conduct of certain electronic health care transactions and protecting the privacy and security of Protected Health Information ("PHI") and electronic PHI ("ePHI") used or disclosed by health care providers and other covered entities. HIPAA Privacy and Security Rules establish a minimum standard for healthcare privacy and security in the United States and do not preempt state privacy, security and confidentiality laws that are more stringent or that provide individuals with greater rights with respect to the privacy or security of and access to their records containing PHI or ePHI. If we are found to be subject to and in violation of the HIPAA Privacy and Security Rules or other state laws protecting the confidentiality of our customers' health information, we could be subject to sanctions, civil or criminal penalties and a corrective action plan which could increase our liabilities, harm our reputation and have a material adverse effect on our business, financial condition and results of operations. Other jurisdictions in which we may expand our operations may also have similar privacy and security laws to which we are subject, depending on the nature of our operations in such jurisdictions.

We may be subject to risks related to the protection and enforcement of our intellectual property rights, and third parties may enforce their intellectual property rights against us.

The ownership and protection of our intellectual property rights is a significant aspect of our future success. Currently, we rely on trade secrets, trademarks, service marks, copyrights, technical know-how and other proprietary information (collectively, "Intellectual Property") to maintain our competitive position. We try to protect our Intellectual Property by seeking and obtaining registered protection where possible, developing and implementing standard operating procedures to protect Intellectual Property and entering into agreements with parties that have access to our Intellectual Property, such as our partners, collaborators, employees and consultants, to protect confidentiality and ownership. We also seek to preserve the integrity and confidentiality of our Intellectual Property by maintaining physical security of our premises and physical and electronic security of our information technology systems.

It is possible that we may fail to identify Intellectual Property, fail to protect or enforce our Intellectual Property, inadvertently disclose such Intellectual Property or fail to register rights in relation to such Intellectual Property.

In relation to our agreements with parties that have access to our Intellectual Property, any of these parties may breach those agreements, and we may not have adequate remedies for any specific breach. In relation to our security measures, such security measures may be breached, and we may not have adequate remedies for any such breach. In addition, certain of our Intellectual Property, which has not yet been applied for or registered, may otherwise become known to or be independently developed by competitors or may already be the subject of applications for intellectual property registrations filed by our competitors, which could have a material adverse effect on our business, financial condition and results of operations.

We cannot provide any assurance that our Intellectual Property will not be disclosed in violation of agreements or that competitors will not otherwise gain access to our Intellectual Property or independently develop and file applications for intellectual property rights that adversely affect our Intellectual Property rights. Unauthorized parties may attempt to copy, reverse engineer, or otherwise obtain and use our Intellectual Property. Identifying and policing the unauthorized use of our current or future Intellectual Property rights could be difficult, expensive, time-consuming and unpredictable, as may be enforcing these rights against unauthorized use by others. We may be unable to effectively monitor and evaluate the products being distributed by our competitors, including unlicensed dispensaries, and the processes used to produce such products. Additionally, if the steps taken to identify and protect our Intellectual Property rights are deemed inadequate, we may have insufficient recourse against third parties for enforcement of our Intellectual Property rights.

Furthermore, the laws and positions of intellectual property offices administering such laws and regulations regarding intellectual property rights with respect to cannabis and services and products relating to cannabis are constantly evolving and there is uncertainty regarding whether the laws or regulations of other countries prohibit the filing, prosecution and issuance of applications for intellectual property registrations with respect to cannabis or services or products relating to cannabis and whether the laws or regulations of other countries prohibit the enforcement of rights under intellectual property registrations with respect to cannabis or services or products relating to cannabis. For example, our ability to obtain registered trademark protection with respect to cannabis and services and products related to cannabis may be limited in certain countries, such as the United States, where registered trademark protections are currently unavailable with the USPTO for trademarks covering cannabis or cannabis-based products in light of the CSA. Additionally, the U.S. Patent and Trademark Office ("USPTO") promulgated Examination Guide 1-19, which provides, among other things, that trademarks for food products, beverage products, dietary supplement products, or pet treat products containing hemp derived CBD can be rejected by the USPTO on the basis that the sale of such products in interstate commerce allegedly violates FDA law. Accordingly, our ability to obtain intellectual property rights or enforce intellectual property rights against third-party uses of similar trademarks may be limited in certain countries. Moreover, in any infringement proceeding, some or all of our Intellectual Property rights or arrangements or agreements seeking to protect the same for our benefit may be found invalid, unenforceable, or anti-competitive. An adverse result in any litigation or defense proceedings could put one or more of our Intellectual Property rights at risk of being invalidated or interpreted narrowly and could put existing intellectual property applications at risk of not being issued. Any or all of these events could have a material adverse effect on our business, financial condition and results of operations.

Additionally, other parties may claim that our products or services infringe on their proprietary rights or other intellectual property rights. Third parties may claim that our use of our trademarks infringes upon their trademark rights. Parties making claims against us may obtain injunctive or other equitable relief, which may have an adverse impact on our business. Such claims, whether or not meritorious, may result in the expenditure of significant financial and managerial resources, legal fees, result in injunctions, temporary restraining orders and/or require the payment of damages. In addition, we may need to obtain licenses from third parties who allege that we have infringed on their lawful rights. However, such licenses may not be available on terms acceptable to us, if at all. In addition, we may not be able to obtain licenses on terms that are favorable to us, or at all, or other rights with respect to intellectual property that we do not own.

We have limited trademark protection.

We will not be able to register any federal trademarks for our cannabis products. Because producing, manufacturing, processing, possessing, distributing, selling and using cannabis is a crime under the CSA, the USPTO will not permit the registration of any trademark that identifies cannabis products. As a result, we likely will be unable to protect our cannabis product trademarks beyond the geographic areas in which we conduct business. The use of our trademarks outside the states in which we operate by one or more other persons could have a material adverse effect on the value of such trademarks.

Conflicts of interest may arise between us and our directors and officers.

We may be subject to various potential conflicts of interest because of the fact that some of our directors and officers may be engaged in a range of business activities. In addition, our executive officers and directors may devote time to their outside business interests so long as such activities do not materially or adversely interfere with their duties to us. In some cases, our directors and executive officers may have fiduciary obligations associated with those business interests that interfere with their ability to devote time to our business and affairs and that could have a material adverse effect on our business, financial condition and results of operations. These business interests could require significant time and attention of our directors and executive officers.

In addition, we may also become involved in other transactions, which conflict with the interests of our directors and officers who may from time to time deal with persons, firms, institutions, or corporations with which we may be dealing or may be seeking investments similar to those desired by us. The interests of these persons could conflict with our interests, and these persons may be competing with us for available investment opportunities.

Financial reporting obligations of being a public company in Canada and the United States are expensive and time-consuming, and our management will be required to devote substantial time to compliance matters.

As a public company, we are subject to the reporting requirements of applicable securities rules and regulations of Canadian securities regulators and other requirements in Canada. Complying with these rules and regulations increases our legal and financial compliance costs, makes some activities more difficult, time-consuming and costly, and increases demand on our systems and resources.

In addition, the obligations of being a public company in the United States require significant expenditures and will place significant demands on our management and other personnel, including costs resulting from public company reporting obligations under the Exchange Act and the rules and regulations regarding corporate governance practices, including those under the Sarbanes-Oxley Act of 2002, as amended (“Sarbanes-Oxley”), and the Dodd-Frank Wall Street Reform and Consumer Protection Act. These rules require the establishment and maintenance of effective disclosure and financial controls and procedures and internal control over financial reporting among many other complex rules that are often difficult to implement, monitor and maintain compliance with. Moreover, despite recent reforms made possible by the Jumpstart Our Business Startups Act of 2012 (“JOBS Act”), the reporting requirements, rules and regulations will make some activities more time-consuming and costly, particularly after we are no longer deemed an “emerging growth company” or “smaller reporting company.” In addition, we expect these rules and regulations to make it more difficult and more expensive for us to obtain director and officer liability insurance and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. Our management and other personnel will need to devote a substantial amount of time to ensure that we comply with all of these requirements and to keep pace with new regulations, otherwise we may fall out of compliance and risk becoming subject to litigation, among other potential problems. Compliance with these rules and regulations could also make it more difficult for us to attract and retain qualified members of our Board of Directors.

Failure to maintain effective internal control over our financial reporting in accordance with Section 404 of Sarbanes-Oxley could cause our financial reports to be inaccurate.

We are required pursuant to Section 404 of Sarbanes-Oxley Act to maintain internal control over financial reporting and to assess and report on the effectiveness of those controls. This assessment includes disclosure of any material weaknesses identified by our management in our internal control over financial reporting. Although we prepare our financial statements in accordance with accounting principles generally accepted in the United States, our internal accounting controls may not meet all standards applicable to companies with publicly traded securities. If we fail to implement any required improvements to our disclosure controls and procedures, we may be obligated to report control deficiencies, in which case we could become subject to regulatory sanction or investigation. Further, such an outcome could damage investor confidence in the accuracy and reliability of our financial statements.

Our management has concluded that our internal controls over financial reporting were, and continue to be, ineffective, and as of the year ended December 31, 2022 as a result of a material weakness in our internal controls, which could adversely affect our ability to record, process, summarize, and report financial data. Such weaknesses include: (1) Our internal controls relating to inventory valuation, estimated useful lives and depreciation of long-lived assets, expense cutoff for certain subsidiaries, business combinations, impairment of long-lived assets, and debt modification and extinguishment was not designed and maintained (2) Information technology general controls related to access security were not designed and implemented for all financially relevant applications during the audit period. Additionally, we did not perform reviews of relevant Service Organization Control Reports for key third party service providers (3) We did not perform an effective risk assessment or monitor internal controls over financial reporting. We did not have written documentation of internal control policies and procedures. We lacked sufficient resources to adequately perform and monitor account reconciliation and review controls (4) We misclassified certain employees as contractors based on the rules and regulations of the IRS. While management is working to remediate the material weakness, there is no assurance that such changes, when economically feasible and sustainable, will remediate the identified material weaknesses or that the controls will prevent or detect future material weaknesses. If we are not able to maintain effective internal control over financial reporting, our financial statements, including related disclosures, may be inaccurate, which could have a material adverse effect on our business.

Our ability to use our net operating losses and interest expense subject to Section 163(j) and tax credit carryforwards in the future will be limited pursuant to the application of Section 382, which could increase our tax liabilities and could reduce our cash flow and net income.

Section 382 of the Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder ("Section 382") limit a corporation's ability to utilize existing net operating loss and Section 163(j) interest limitation carryforwards once such corporation experiences an ownership change as defined in Section 382. On June 24, 2022, we completed the previously announced Recapitalization Transaction which is considered an ownership change for purposes of Section 382. For the year ended December 31, 2022, we recorded a valuation allowance on certain net operating loss carryforwards and Section 163(j) interest limitation deduction carryforwards that were recognized as deferred tax assets as of December 31, 2021. In addition, we did not utilize any pre-existing net operating losses against taxable income in our tax provision for the year ended December 31, 2022. As a result of the Recapitalization Transaction, utilization of our net operating losses and Section 163(j) interest limitation deduction carryforwards is limited by Section 382, which may result in increased future tax liability to us. The Section 382 limitation may be increased by recognized built-in gain ("RBIG") in the five year period following the change date to the extent that the value of our assets exceeds the tax basis of those assets. Under the Section 338 approach described in Notice 2003-65, assets are treated as generating RBIG even if these assets are not disposed of at again during the five-year recognition period. We are in the process of reviewing the tax basis of our fixed assets so we can compare it to the deemed selling price under Section 382. This calculation may result in an RBIG that would increase the Section 382 limitation available during the recognition period.

Significant inflation could adversely affect our business and financial results.

Increased inflation could adversely affect our business and financial results by reducing our purchasing power and resulting in negative impacts on our ability to obtain goods and services required for the operation of our business. In addition, our cost of labor and materials could increase, which could have an adverse impact on our business, results of operations, cash flow or financial condition. Additionally, increased inflation may impact our ability to retain and/or hire new personnel. To the extent that we are unable to offset such cost inflation through higher prices of our offerings or other cost savings, there could be a negative impact on our business, sales and margin performance, net income, cash flows.

Risks Related to Government Regulations

The cannabis industry is highly regulated, and we may not always succeed in fully complying with applicable regulatory requirements in all jurisdictions where we operate.

Our cannabis-related business and activities and those of our subsidiaries are heavily regulated in all jurisdictions where we operate. Our operations are subject to various laws, regulations and guidelines by governmental authorities, both in the United States and Canada, relating to, among other things, the manufacture, marketing and sale of cannabis, as well as laws and regulations relating to health and safety, insurance coverage, the conduct of operations and the protection of the environment. Laws and regulations, applied generally, grant government agencies and self-regulatory bodies broad administrative discretion over business activities, including the power to limit or restrict business activities as well as impose additional disclosure requirements on such businesses' products.

Achievement of our business objectives is contingent, in part, upon our compliance with regulatory requirements enacted by these governmental authorities and obtaining all necessary licenses, permits, authorizations, or accreditations for our cultivation, production and dispensary operations. We may not be able to obtain such approvals or may be able to do so only at a significant expense. The commercial cannabis industry is an emerging industry in the United States. The effect of relevant governmental authorities' administration, application and enforcement of their respective regulatory regimes and delays in or our failure to obtain the necessary licenses, permits, authorizations, or accreditations to conduct our business may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on our business, financial condition and results of operations.

While we endeavor to comply with all relevant laws, regulations and guidelines with respect to our cannabis-related business and, to our knowledge, we are in compliance or are in the process of being assessed for compliance with all such laws, regulations and guidelines, any failure to comply with the regulatory requirements applicable to our operations may lead to possible sanctions including, but are not limited to, the revocation or imposition of additional conditions on licenses to operate our business, the suspension or expulsion from a particular market or jurisdiction or of our key personnel, the imposition of additional or more stringent inspection, testing and reporting requirements and the imposition of fines and censures.

In addition, changes in regulations, more vigorous enforcement thereof or other unanticipated events could require extensive changes to our operations, increase compliance costs or give rise to material liabilities or a revocation of our licenses and other permits, which could have a material adverse effect on our business, financial condition and results of operations. For example, new legislation or regulations may be introduced at either the federal and/or state level which, if passed, could impose substantial new regulatory requirements on the manufacture, packaging, labeling, advertising and distribution and sale of hemp-derived products. New legislation or regulations may also require the reformulation, elimination or relabeling of certain products to meet new standards and revisions to certain sales and marketing materials, and it is possible that the costs of complying with these new regulatory requirements could be material. Furthermore, governmental authorities may change their administration, application, or enforcement procedures at any time, which may adversely affect our costs relating to regulatory compliance.

Failure to comply with these laws and regulations could subject us to regulatory or agency proceedings, investigations, or audits and could lead to damage awards, fines and penalties. We may become involved in a number of government or agency proceedings, investigations and audits. The outcome of any regulatory or agency proceedings, investigations, audits and other contingencies could harm our reputation, require us to take or refrain from taking actions that could harm our operations, or require us to pay substantial amounts of money, harming our financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management's attention and resources or have a material adverse impact on our business, financial condition and results of operations. Furthermore, if the costs of compliance with government legislation and regulation cannot be absorbed through increased selling prices for our products, our sales and operating results could be adversely affected.

We can provide no assurance that we will be permitted or able to enter the adult-use cannabis market in any of the U.S. states that we currently operate.

In certain of the U.S. states where we operate, laws, regulations and/or rules have been passed to regulate the cultivation, processing, manufacturing, distribution, sale and use of adult-use cannabis. Each state has unique requirements that each licensed entity must meet in order to participate in the adult-use market, including, without limitation, maintaining any existing licenses in good standing, payment of a fee, and maintaining certain medical product quantities. In addition, municipalities in each state may pass local rules and ordinances, establishing additional rules and requirements that a licensed entity must meet relating to the cultivation, processing, manufacturing, distribution, sale and use of adult-use cannabis. We can provide no assurance that we will be able to satisfy or meet the requirements established by a state's or municipality's relevant governmental agency that would allow us to enter the adult-use cannabis market. Failure to satisfy or meet the requirements established by a state's or municipality's relevant governmental agency would result in us not being able to participate in the adult-use cannabis market or could delay our entrance into the adult-use cannabis market in a particular state, which could have a material adverse effect on our business.

Our business activities and the business activities of our subsidiaries, while believed to be compliant with applicable U.S. state and local laws, currently are illegal under U.S. federal law.

While certain states in the U.S. have legalized "medical cannabis," "adult use cannabis" or both, medical and adult-use cannabis remains illegal under federal law. The CSA classifies "marijuana" as a Schedule I drug. As such, cannabis-related business activities, including, without limitation, the cultivation, manufacture, importation, possession, use, or distribution of cannabis, remains illegal under U.S. federal law. Individual state laws do not always conform to U.S. federal law or the laws of other states, and there are a number of variations in the laws and regulations of the various states in which we operate. Although we believe our business activities and those of our subsidiaries are compliant with the laws and regulations of the states in which we and our subsidiaries operate, strict compliance with state and local laws with respect to cannabis neither absolves us of liability under U.S. federal law, nor provides a defense to any proceeding that may be brought against us under U.S. federal law. Any proceeding that may be brought against us could have a material adverse effect on our business, financial condition and results of operations. Violations of any U.S. federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions, or settlements, arising from either civil or criminal proceedings brought by either the U.S. federal government or private citizens, including, but not limited to, property or product seizures, disgorgement of profits, cessation of business activities, or divestiture. Such fines, penalties, administrative sanctions, convictions, or settlements could have a material adverse effect on, among other things:

- our reputation and our ability to conduct business;
- our ability to obtain and/or maintain cannabis licenses, whether directly or indirectly, in the United States;
- the listing of our securities on various stock exchanges;
- our financial position, operating results, profitability, or liquidity; and
- the market price of our securities.

If we are not able to comply with all safety, security, health and environmental regulations applicable to our operations and industry, we may be held liable for any breaches thereof.

Safety, security, health and environmental laws and regulations affect nearly all aspects of our operations, including product development, working conditions, waste disposal, emission controls, the maintenance of air and water quality standards and land reclamation. Security protocols with respect to our facilities and the transportation of cannabis and with respect to environmental laws and regulations impose limitations on the generation, transportation, storage and disposal of solid and hazardous waste. Compliance with safety, security, health and environmental laws and regulations can require significant expenditures and failure to comply with such laws and regulations may result in the imposition of fines and penalties, the temporary or permanent suspension of operations, the imposition of clean-up costs resulting from contaminated properties, the imposition of damages and/or the loss of or refusal of governmental authorities to issue us permits or licenses. Exposure to these liabilities may arise in connection with our existing operations, our historical operations and operations that we may undertake in the future. We may also be held liable for worker exposure to hazardous substances and for accidents causing injury or death. There can be no assurance that we will remain in compliance with all safety, security, health and environmental laws and regulations notwithstanding our attempts to comply with such laws and regulations.

Changes in applicable safety, security, health and environmental standards may impose stricter standards and enforcement, increased fines and penalties for non-compliance and a heightened degree of responsibility for companies and their officers, directors and employees. We are not able to determine the specific impact that future changes in safety, security, health and environmental laws and regulations may have on our industry, operations and/or activities and our resulting financial position. However, we anticipate that capital expenditures and operating expenses will increase in the future as a result of the implementation of new and increasingly stringent safety, security, health and environmental laws and regulations. Further changes in such laws and regulations, new information on existing safety, security, health and environmental conditions or other events, including legal proceedings based upon such conditions or an inability to obtain necessary permits in relation thereto may require increased compliance expenditures by us.

Our investments in the United States are subject to applicable anti-money laundering laws and regulations in the United States and Canada and cannabis businesses have restricted access to banking and other financial services.

All of our subsidiaries are located in the United States. Therefore, we are subject to a variety of laws and regulations in the United States and Canada that involve money laundering, financial recordkeeping and proceeds of crime. Such laws and regulations may include the Bank Secrecy Act, as amended by Title III of the US PATRIOT Act in the United States, and the Proceeds of Crime (Money Laundering) and Terrorist Financing Act, as amended, in Canada. If any of our investments, or any proceeds thereof, any dividends or distributions therefrom, or any profits or revenues accruing from such investments in the United States are found to be in violation of anti-money laundering laws or otherwise, such transactions may be viewed as proceeds of crime, including under one or more of the statutes discussed above. Any property, real or personal and its proceeds, involved in or traceable to such a crime is subject to seizure by and forfeiture to governmental authorities. Any such seizure, forfeiture or other action by law enforcement with respect our assets could restrict or otherwise jeopardize our ability to declare or pay dividends, effect other distributions or subsequently repatriate such funds back to Canada and could have a material adverse effect on our business, financial condition and results of operations.

On February 14, 2021, FinCEN issued the FinCEN Memorandum, which outlines the pathways for financial institutions to bank cannabis businesses in compliance with federal enforcement priorities. The FinCEN Memorandum states that in some circumstances, it is permissible for banks to provide services to cannabis-related businesses without risking prosecution for violation of federal money laundering laws.

Although the FinCEN Memorandum remains intact, it is unclear whether the Biden administration will continue to follow its guidelines, or what may happen under future administrations. The DOJ continues to have the right and power to prosecute crimes committed by banks and financial institutions, such as money laundering and violations of the Bank Secrecy Act, that occur in any state including states that have in some form legalized the sale of cannabis. Further, the conduct of the DOJ's enforcement priorities could change for any number of reasons. A change in the DOJ's priorities could result in the prosecution of banks and financial institutions for crimes that were not previously prosecuted.

The FinCEN Memorandum does not provide any safe harbors or legal defenses from examination or regulatory or criminal enforcement actions by the DOJ, FinCEN or other federal regulators. Thus, most banks and other financial institutions in the United States do not appear comfortable providing banking services to cannabis-related businesses or relying on this guidance given that it has the potential to be amended or revoked by the current administration. In addition to the foregoing, banks may refuse to process debit card payments and credit card companies generally refuse to process credit card payments for cannabis-related businesses. As a result, we may have limited or no access to banking or other financial services in the United States. In addition, federal money laundering statutes and Bank Secrecy Act regulations discourage financial institutions from working with any organization that sells a controlled substance, regardless of whether the state it operates in permits cannabis sales. Our inability or limitation of our ability to open or maintain bank accounts, obtain other banking services and/or accept credit card and debit card payments may make it difficult for us to operate and conduct our business as planned or to operate efficiently.

In the United States, the "SAFE Banking Act" is a proposed piece of federal legislation, which would grant banks and other financial institutions immunity from federal criminal prosecution for servicing marijuana-related businesses if the underlying marijuana business follows state law. The U.S. House of Representatives has passed the SAFE Banking Act on numerous occasions, but the U.S. Senate has failed to take up the SAFE Banking Act for a vote. It is unclear whether the U.S. Senate will take up the SAFE Banking Act during the current congressional session. While there is strong support in the public and within Congress for the SAFE Banking Act and similar legislation, there can be no assurance that it will be passed as presently proposed or at all.

In both Canada and the United States, transactions involving banks and other financial institutions are both difficult and unpredictable under the current legal and regulatory landscape. Legislative changes could help to reduce or eliminate these challenges for companies in the cannabis space and would improve the efficiency of both significant and minor financial transactions.

Our investments in the United States may be subject to heightened scrutiny by regulators, stock exchanges and other authorities in Canada and the United States.

Our existing investments in the United States and any future investments in the United States may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada and the United States. As a result, we may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on our ability to invest in the United States or any other jurisdiction, in addition to those described herein.

Government policy changes or public opinion may also result in a significant influence over the regulation of the cannabis industry in Canada, the United States, or elsewhere. A negative shift in the public's perception of the medical or adult use of cannabis could affect future legislation or regulation in Canada, the United States, or elsewhere. Among other things, such a shift could cause such jurisdictions to abandon initiatives or proposals to legalize cannabis or reverse existing legislation that legalized cannabis in some respect. A shift by any such jurisdiction could limit the number of new jurisdictions into which we could expand or reduce the jurisdictions in which we operate, either of which could have a material adverse effect on our expansion strategy, business, financial condition and results of operations.

We may be subject to heightened scrutiny by regulators, exchanges and/or other authorities in Canada and/or the United States, which could affect our ability to operate our business and/or for investors to be to deposit or trade our common shares.

Currently, the Company is traded on the CSE and on over-the-counter markets in the United States. The business, operations and investments of the Company in the United States, and any future business, operations or investments, may become the subject of heightened scrutiny by regulators, stock exchanges and other authorities in Canada and the United States. As a result, the Company may be subject to significant direct and indirect interaction with public officials. There can be no assurance that this heightened scrutiny will not in turn lead to the imposition of certain restrictions on the Company's ability to operate or invest in the United States or any other jurisdiction, in addition to those described herein.

In 2017, there were concerns that the Canadian Depository for Securities Limited, through its subsidiary CDS Clearing and Depository Services Inc. ("CDS"), Canada's central securities depository (clearing and settling trades in the Canadian equity, fixed income and money markets), would refuse to settle trades for cannabis issuers that have investments in the United States. However, CDS has not implemented this policy.

On February 8, 2018, the Canadian Securities Administrators published Staff Notice 51-352 describing the Canadian Securities Administrators' disclosure expectations for specific risks facing issuers with cannabis-related activities in the U.S. Staff Notice 51-352 confirms that a disclosure-based approach remains appropriate for issuers with U.S. cannabis-related activities. Staff Notice 51-352 includes additional disclosure expectations that apply to all issuers with U.S. cannabis-related activities, including those with direct and indirect involvement in the cultivation and distribution of cannabis, as well as issuers that provide goods and services to third parties involved in the U.S. cannabis industry.

On February 8, 2018, following discussions with the Canadian Securities Administrators and recognized Canadian securities exchanges, the TMX Group, which is the owner and operator of CDS, announced the signing of a Memorandum of Understanding (the "TMX MOU"), with Aequitas NEO Exchange Inc., the CSE, the Toronto Stock Exchange and the TSX Venture Exchange. The TMX MOU outlines the parties' understanding of Canada's regulatory framework applicable to the rules, procedures and regulatory oversight of the exchanges and CDS as it relates to issuers with cannabis-related activities in the United States. The TMX MOU confirms, with respect to the clearing of listed securities, that CDS relies on the Canadian securities exchanges to review the conduct of listed issuers. The TMX MOU notes that securities regulation requires that the rules of each of the exchanges must not be contrary to public interest and that the rules of each of the exchanges have been approved by the securities regulators. Pursuant to the TMX MOU, CDS will not ban accepting deposits of or transactions for clearing and settlement of securities of issuers with cannabis-related activities in the United States. Even though the TMX MOU indicated that there are no plans to ban the settlement of securities through CDS, there can be no guarantee that this approach to regulation will continue in the future. If such ban were implemented at a time when our common shares are listed on a Canadian stock exchange, it would have a material adverse effect on the ability of holders of our common shares to make and settle trades. In particular, our common shares would become highly illiquid until an alternative (if available) was implemented, and investors would have no ability to affect a trade of our common shares through the facilities of the applicable Canadian stock exchange.

We have obtained eligibility with the Depository Trust Company ("DTC") for our common shares quotation on the OTC Markets and such eligibility provides another possible avenue to clear our common shares in the event of a CDS ban. Revocation of DTC eligibility or implementation by DTC of a ban on the clearing of securities of issuers with cannabis-related activities in the United States would similarly have a material adverse effect on the ability of holders of our common shares to make and settle trades.

U.S. border officers could deny entry into the United States to non-U.S. citizens who are employees of or investors in companies with cannabis operations in the United States or Canada.

As cannabis remains illegal under U.S. federal law, those non-U.S. citizens who are employed at or investing in legal and licensed Canadian cannabis companies could face detention, denial of entry, or lifetime bans from the United States for their business associations with U.S. or Canadian cannabis businesses. Entry happens at the sole discretion of the U.S. Customs and Border Protection (the "USCBP") officers on duty, and these officers have wide latitude to ask questions to determine the admissibility of a foreign national. As a result, the Canadian government warned travelers that previous use of cannabis or any substance prohibited by U.S. federal laws could mean denial of entry to the United States. In addition, business or financial involvement in the legal cannabis industry in Canada or in the United States could also be a reason for USCBP officers to deny entry in the United States. In reaction to the then-impending legalization of cannabis in Canada, the USCBP released a statement outlining its position with respect to enforcement of U.S. federal laws. The statement specified that Canada's legalization of cannabis would not change the USCBP's enforcement of U.S. federal laws regarding controlled substances, and because cannabis continues to be a controlled substance under the CSA, working in or facilitating the proliferation of the cannabis industry in states or Canada where cannabis is legal may affect admissibility to the United States. Although, the USCBP has affirmed that Canadian citizens "working in or facilitating the proliferation of the legal cannabis industry in Canada, coming to the U.S. for reasons unrelated to the cannabis industry will generally be admissible to the U.S.," if Canadian citizens, or any other travelers, are "found to be coming to the U.S. for reason related to the cannabis industry, they may be deemed inadmissible" and risk being barred from entry into the United States.

Certain of our directors, officers and employees are or may be Canadian citizens and may be subject to denials or bans from entry into the United States by USCBP officers due to their service or employment by us. In the event that any such directors, officers, or employees are hindered or otherwise prevented from entering the U.S., either in one instance or permanently, their ability to provide services to us could be materially hindered, which could have a material adverse effect on our business. In addition, our ability to attract qualified candidates may be diminished by the prospect of a denial or ban from entry into the United States, which could have a material adverse effect on our business.

State regulatory agencies may require us to post bonds or significant fees.

There is a risk that a greater number of state regulatory agencies will begin requiring entities engaged in certain aspects of the business or industry of legal marijuana to post a bond or significant fees when applying, for example, for a dispensary license or renewal as a guarantee of payment of sales and franchise taxes. We are not able to quantify at this time the potential scope of such bonds or fees in the states in which it currently operates or may in the future operate. Any bonds or fees of material amounts could have a negative impact on the ultimate success of our business.

U.S. State regulation of cannabis is uncertain.

There is no assurance that state laws legalizing and regulating the sale and use of cannabis will not be repealed or overturned, or that local governmental authorities will not limit the applicability of state laws within their respective jurisdictions. If the U.S. federal government begins to enforce U.S. federal laws relating to cannabis in states where the sale and use of cannabis is currently legal, or if existing state laws are repealed or curtailed, our business or operations in those states or under those laws would be materially and adversely affected. Federal actions against any individual or entity engaged in the cannabis industry or a substantial repeal of cannabis related legislation could adversely affect our business.

The rulemaking process at the state level that applies to cannabis operators in any state will be ongoing and result in frequent changes. Regulatory compliance and the process of obtaining regulatory approvals can be costly and time-consuming. No assurance can be given that we will receive the requisite licenses, permits or cards to continue operating our businesses. In addition, local laws and ordinances could restrict our business activity. Land use, zoning, local ordinances and similar laws could be adopted or changed and have a material adverse effect on our business.

Because cannabis remains illegal under U.S. federal law, and enforcement of cannabis laws could change, there can be no assurance that our operations will not be deemed to be criminal in nature and/or subject the Company to substantial civil penalties.

We are engaged in both the medical and adult-use marijuana industry in the United States where local state law permits such activities. Investors are cautioned that in the United States, cannabis is largely regulated at the state level. Pursuant to the Congressional Research Service, as of March 1, 2023, (i) 37 states plus the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands have comprehensive laws and policies allowing for the medicinal use of marijuana, (ii) 10 additional states allow for “limited access medical cannabis,” which refers to low-THC cannabis or CBD oil and (iii) 21 states, the District of Columbia, Guam, and the Northern Mariana Islands have enacted laws allowing the recreational use of marijuana. Notwithstanding the permissive regulatory environment of cannabis at the state level, cannabis continues to be categorized as a Schedule I controlled substance under the CSA and as such, cultivation, distribution, sale and possession of cannabis violates federal law in the United States. The inconsistency between federal and state laws and regulations is a major risk factor.

The recent change in Presidential administration will result in a change of leadership including the appointment of a new Attorney General of the United States of America. At this time it is uncertain what policies the new President or Attorney General will take regarding the enforcement of federal cannabis laws. Under the prior administration, federal prosecutors were free to utilize their prosecutorial discretion to decide whether to prosecute cannabis activities despite the existence of state-level laws that may be inconsistent with federal prohibitions, but there were no such prosecutions. Due to the fact the leadership of the Department of Justice is changing and has not therefore introduced policies regarding the enforcement of the federal cannabis laws, there can be no assurance that the federal government will not seek to prosecute cases involving cannabis businesses that are otherwise compliant with state law.

Federal law pre-empts state law in these circumstances, so that the federal government can assert criminal violations of federal law despite state law. The level of prosecutions of state-legal cannabis operations is entirely unknown, and the current administration and Department of Justice has not articulated a policy regarding state legal cannabis. It is unclear what position the new Attorney General will take. If the Department of Justice policy were to aggressively pursue financiers or equity owners of cannabis-related business, and United States Attorneys followed such Department of Justice policies through pursuing prosecutions, then we could face (i) seizure of our cash and other assets used to support or derived from our cannabis subsidiaries; and (ii) the arrest of our employees, directors, officers, managers and investors, who could face charges of ancillary criminal violations of the CSA for aiding and abetting and conspiring to violate the CSA.

If the current Administration and Attorney General do not adopt a policy incorporating some or all of the policies articulated in the Cole Memorandum, then the Department of Justice or an aggressive federal prosecutor could allege that we "aided and abetted" violations of federal law by providing finances and services to our operating subsidiaries. Under these circumstances, it is possible that a federal prosecutor could seek to seize our assets and to recover the "illicit profit." In these circumstances, our operations may cease, and our shareholders may lose their entire investment and our directors, officers and/or shareholders may be left to defend any criminal charges against them at their own expense and, if convicted, be sent to federal prison.

Violations of any federal laws and regulations could result in significant fines, penalties, administrative sanctions, convictions or settlements arising from civil proceedings conducted by either the federal government or private citizens, or criminal charges, including, but not limited to, disgorgement of profits, cessation of business activities or divestiture. This could have a material adverse effect on us, including our reputation and ability to conduct business, our holding (directly or indirectly) of medical and adult-use cannabis licenses in the United States, the listing of our securities on the CSE or OTC Markets, our capital, financial position, operating results, profitability or liquidity or the market price of our listed securities.

Overall, an investor's contribution to and involvement in our activities may result in federal civil and/or criminal prosecution, including forfeiture of his, her or its entire investment.

Risks Related to Our Securities

The market price of our common shares is volatile and may not accurately reflect the long term value of our Company.

Securities markets have a high level of price and volume volatility, and the market price of securities of many companies has experienced substantial volatility in the past. This volatility may affect the ability of holders of our common shares to sell their securities at an advantageous price. Market price fluctuations in our common shares may be due to our operating results, failing to meet expectations of securities analysts or investors in any period, downward revision in securities analysts' estimates, adverse changes in general market conditions or economic trends, acquisitions, dispositions, or other material public announcements by us or our competitors, along with a variety of additional factors. These broad market fluctuations may adversely affect the market price of our common shares. Financial markets have historically, at times, experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of companies and that have often been unrelated to the operating performance, underlying asset values, or prospects of such companies.

Accordingly, the market price of our common shares may decline even if our operating results, underlying asset values, or prospects have not changed. Additionally, these factors as well as other related factors may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. There can be no assurance that continuing fluctuations in the price and volume of our common shares will not occur. If such increased levels of volatility and market turmoil continue, our operations could be adversely impacted and the trading price of our common shares may be materially adversely affected.

There is no assurance that an investment in our common shares will earn any positive return.

There is no assurance that an investment in our common shares will earn any positive return. An investment in our common shares involves a high degree of risk and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. An investment in our common shares is appropriate only for investors who have the capacity to absorb a loss of some or all of their investment.

We have never paid dividends in the past and do not expect to declare or pay dividends in the foreseeable future.

We have never paid dividends in the past and do not expect to declare or pay dividends on our common shares in the foreseeable future, as we anticipate that we will invest future earnings in the development and growth of our business. Should we declare and pay dividends on our common shares in the future, there may be significant tax implications to holders of our common shares who are recipients of such dividends.

There is a limited market for our common shares

Our common shares are listed for trading on the CSE and are quoted over-the-counter in the United States on the OTC Pink Tier of the OTC Markets Group, Inc. The over-the-counter markets provide less liquidity than U.S. national securities exchanges, such as the New York Stock Exchange or Nasdaq. Accordingly, holders of our common shares may be unable to sell or otherwise dispose of their common shares at desirable prices or at all.

Outstanding and future issuances of debt securities, which would rank senior to our common shares upon bankruptcy or liquidation, may adversely affect the level of return holders of common shares may be able to receive.

We currently have June Secured Debentures, June Unsecured Debentures, Additional Secured Debentures, and Senior Secured Bridge Notes outstanding. In the future, we may increase our capital resources by offering additional debt securities. Upon bankruptcy or liquidation, holders of our debt securities and lenders would receive distributions of our available assets prior to any distributions being made to holders of our common shares. As our decision to issue debt securities or borrow money from lenders will depend in part on market conditions, we cannot predict or estimate the amount, timing, or nature of any such future offerings or borrowings. Holders of our common shares must bear the risk that current and future securities including the issuance of debt securities may adversely affect the level of return, if any, that the holders of our common shares may receive.

Our principal shareholders and management own a significant percentage of our common shares and will be able to exert significant control over matters subject to shareholder approval.

As a result of the consummation of the Recapitalization Transaction and as of March 24, 2023, our executive officers, directors and principal shareholders and their affiliates beneficially hold, in the aggregate, approximately 89.4% of our outstanding common shares. These shareholders, acting together, would be able to significantly influence all matters requiring shareholder approval. For example, these shareholders would be able to significantly influence elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This may prevent or discourage unsolicited acquisition proposals or offers for our common shares that you may feel are in your best interest as one of our shareholders.

General Risk Factors

Our common shares are subject to the "penny stock" rules of the SEC and the trading market in the securities is limited, which makes transactions in the stock cumbersome and may reduce the value of an investment in the stock.

Rule 15g-9 under the Exchange Act establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require: (a) that a broker or dealer approve a person's account for transactions in penny stocks; and (b) the broker or dealer receive from the investor a written agreement to the transaction setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must: (a) obtain financial information and investment experience objectives of the person and (b) make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form: (a) sets forth the basis on which the broker or dealer made the suitability determination; and (b) confirms that the broker or dealer received a signed, written agreement from the investor prior to the transaction. Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common shares and cause a decline in the market value of our common shares.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker or dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

We are an "emerging growth company" and will be able to avail ourselves of reduced disclosure requirements applicable to emerging growth companies, which could make our common shares less attractive to investors.

We are an "emerging growth company," as defined in the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including not being required to comply with the auditor attestation requirements of Section 404(b) of Sarbanes-Oxley, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. In addition, pursuant to Section 107 of the JOBS Act, as an "emerging growth company" we intend to take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We cannot predict if investors will find our common shares less attractive because we may rely on these exemptions. If some investors find our common shares less attractive as a result, there may be a less active trading market for our common shares and our share price may be more volatile. We may take advantage of these reporting exemptions until we are no longer an "emerging growth company."

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal executive and administrative offices are located at 420 Lexington Avenue, Suite 414, New York, NY 10170. As of December 31, 2022, we lease: 5 facilities in the State of Arizona; 1 facility in the State of California; 1 facility in Canada; 25 facilities in the State of Florida; 4 facilities in the State of Maryland; 4 facilities in the State of Massachusetts; 2 facilities in the State of Nevada; 5 facilities in the State of New Jersey; 5 facilities in the State of New York; and 1 facility in the State of Vermont. In addition, we own: 4 facilities in the State of Arizona; 2 facilities in the State of Colorado; 1 facility in the State of Florida; 1 facility in the State of Massachusetts; and 1 facility in the State of New York. The following table sets forth information about our properties. We believe that these facilities are generally suitable to meet our needs.

Location	Facility Type	Approximate Square Footage of Operational Facilities	Lease Expiration Dates
Arizona	Dispensary/Processing/Cultivation Administrative	87,465 3,976	April 2023 – March 2033
California	Administrative	2,133	October 2025
Canada	Administrative	2,689	June 2024
Colorado	Dispensary/Processing/Cultivation	22,343	October 2023
Florida	Dispensary/Processing/Cultivation Administrative	349,163 3,718	June 2023 – June 2030
Maryland	Dispensary/Processing	15,139	April 2024 – September 2027
Massachusetts	Dispensary/Processing/Cultivation Administrative	78,333 2,200	March 2027 – July 2027
Nevada	Dispensary/Processing/Cultivation	32,407	August 2024 – November 2036
New Jersey	Dispensary/Processing/Cultivation Administrative	4,500 3,000	May 2023 – September 2034
New York	Dispensary/Processing/Cultivation Administrative	11,790 16,956	May 2023 – January 2030
Vermont	Dispensary/Processing/Cultivation	16,960	March 2023

ITEM 3. LEGAL PROCEEDINGS

From time to time, we may become involved in various lawsuits and legal proceedings, which arise in the ordinary course of business. Litigation is subject to inherent uncertainties and an adverse result in these or other matters may arise from time to time that may harm our business. Except as set forth herein, we are currently not aware of any such legal proceedings or claims that will have, individually or in the aggregate, a material adverse effect on our business, financial condition or operating results.

Roberts Matter

In October 2018, Craig Roberts and Beverly Roberts (the "Roberts") and the Gary W. Roberts Irrevocable Trust Agreement I, Gary W. Roberts Irrevocable Trust Agreement II, and Gary W. Roberts Irrevocable Trust Agreement III (the "Roberts Trust" and together with the Roberts, the "Roberts Plaintiffs") filed two separate but similar declaratory judgment actions in the Circuit Court of Palm Beach County, Florida against GrowHealthy Holdings, LLC ("GrowHealthy Holdings") and the Company in connection with the acquisition of substantially all of GrowHealthy Holdings' assets by the Company in early 2018. The Roberts Plaintiffs sought a declaration that the Company must deliver certain share certificates to the Roberts without requiring them to deliver a signed Shareholder Representative Agreement ("SRA") to GrowHealthy Holdings, which delivery was a condition precedent to receiving the Company share certificates and required by the acquisition agreements between GrowHealthy Holdings and the Company. In January 2019, the Circuit Court of Palm Beach County denied the Roberts Plaintiffs' motion for injunctive relief, and the Roberts Plaintiffs signed and delivered the SRA forms to GrowHealthy Holdings while reserving their rights to continue challenging the validity and enforceability of the SRA. The Roberts Plaintiffs thereafter amended their complaints to seek monetary damages in the aggregate amount of $22.0 million plus treble damages. On May 21, 2019, the court issued an interlocutory order directing the Company to deliver the share certificates to the Roberts Plaintiffs, which the Company delivered on June 17, 2019, in accordance with the court's order. On December 19, 2019, the Company appealed the court's order directing delivery of the share certificates to the Florida Fourth District Court of Appeal, which appeal was denied per curiam. On October 21, 2019, the Roberts Plaintiffs were granted leave by the Circuit Court of Palm Beach County to amend their complaints in order to add purported claims for civil theft and punitive damages, and on November 22, 2019, the Company moved to dismiss the Roberts Plaintiffs' amended complaints. On May 1, 2020, the Circuit Court of Palm Beach County heard arguments on the motions to dismiss, and on June 11, 2020, the court issued a written order granting in part and denying in part the Company's motion to dismiss. Specifically, the order denied the Company's motion to dismiss for lack of jurisdiction and improper venue; however, the court granted the Company's motion to dismiss the Roberts Plaintiffs' claims for specific performance, conversion and civil theft without prejudice. With respect to the claim for conversion and civil theft, the Circuit Court of Palm Beach County provided the Roberts Plaintiffs with leave to amend their respective complaints. On July 10, 2020, the Roberts Plaintiffs filed further amended complaints in each action against the Company including claims for conversion, breach of contract and civil theft including damages in the aggregate amount of $22.0 million plus treble damages, and on August 13, 2020, the Company filed a consolidated motion to dismiss such amended complaints. On October 26, 2020, Circuit Court of Palm Beach County heard argument on the consolidated motion to dismiss, denied the motion and entered an order to that effect on October 28, 2020. Answers on both actions were filed on November 20, 2020 and the parties commenced discovery. On September 9, 2021, the Roberts Plaintiffs filed a motion to consolidate the two separate actions, which motion was granted on October 14, 2021. On August 6, 2020, the Roberts filed a lawsuit against Randy Maslow, the Company's now former Interim Chief Executive Officer, President and director, in his individual capacity (the "Maslow Complaint"), alleging a single count of purported conversion. The Maslow Complaint was not served on Randy Maslow until November 25, 2021, and the allegations in the Maslow Complaint are substantially similar to those allegations for purported conversion in the complaints filed against the Company. On March 28, 2022, the court consolidated the action filed against Randy Maslow with the Roberts Plaintiffs' action for discovery and trial purposes. As a result, the court vacated the matter's initial trial date of May 9, 2022 and the case has not been reset for trial yet. On April 22, 2022, the parties attended a court required mediation, which was unsuccessful. On May 6, 2022, the Circuit Court of Palm Beach County granted Randy Maslow's motion to dismiss the Maslow Complaint. On May 19, 2022, the Roberts filed a second amended complaint against Mr. Maslow ("Amended Maslow Complaint"). On June 3, 2022, Mr. Maslow filed a motion to dismiss the Amended Maslow Complaint, which was denied on September 9, 2022. Discovery is ongoing, and no date has been set for trial.

U.S. Shareholder Class Action

On April 20, 2020, Donald Finch, a shareholder of the Company, filed a putative class action lawsuit against the Company (the "Class Action Lawsuit") and is seeking damages for an unspecified amount against the Company, its former Chief Executive Officer, its current Chief Financial Officer and others in the United States District Court for the Southern District of New York ("SDNY") for alleged false and misleading statements regarding certain proceeds from the issuance of long-term debt that were held in escrow to make interest payments in the event of default on such long-term debt. On May 5, 2020, Peter Cedeno, another shareholder of the Company, filed a putative class action against the same defendants alleging substantially similar causes of action. On June 16, 2020, four separate motions for consolidation, appointment as lead plaintiff, and approval of lead counsel were filed by Jose Antonio Silva, Robert and Sherri Newblatt, Robert Dankner, and Melvin Fussell. On July 9, 2020, the SDNY issued an order consolidating the Class Action Lawsuit and the Hi-Med Matter (as set forth below) and appointed Jose Antonio Silva as lead plaintiff ("Lead Plaintiff"). On July 23, 2020, the Lead Plaintiff and defendants filed a stipulation and proposed scheduling and coordination order to coordinate the pleadings for the consolidated actions. On September 4, 2020, the Lead Plaintiff filed a consolidated amended class action lawsuit against the Company (the "Amended Complaint"). On November 20, 2020, the Company and its Chief Financial Officer filed a Motion to Dismiss the Amended Complaint. On January 8, 2021, the Lead Plaintiff filed an opposition to the Motion to Dismiss the Amended Complaint. The Company and its Chief Financial Officer's reply to the opposition was filed on February 22, 2021. In a memorandum of opinion dated August 30, 2021, the SDNY granted the Company's and its Chief Financial Officer's Motion to Dismiss the Amended Complaint. The SDNY indicated that the Lead Plaintiff may move for leave to file a proposed second amended complaint by September 30, 2021. On October 1, 2021, the Lead Plaintiff filed a motion for leave to amend the Amended Complaint. On October 28, 2021, the parties filed a Stipulation and Proposed Scheduling Order (the "Stipulation") regarding the Lead Plaintiff's Motion for Leave to File a second Amended Complaint. On November 3, 2021, the SDNY so-ordered the Stipulation and the Lead Plaintiff's second Amended Complaint was deemed filed as of this date. On December 20, 2021, the Company and its Chief Financial Officer filed a Motion to Dismiss the Lead Plaintiff's Second Amended Complaint. The Lead Plaintiff's opposition to the Company's and its Chief Financial Officer's Motion to Dismiss was filed on February 3, 2022. The Company's and its Chief Financial Officer's reply to the Lead Plaintiff's opposition was filed on March 21, 2022. On September 28, 2022, the SDNY issued an opinion granting in part and denying in part the Motion to Dismiss the Lead Plaintiff's second Amended Complaint. On October 12, 2022, the parties filed a joint stipulation and proposed scheduling order (the "Joint Stipulation and Proposed Scheduling Order"), which the SDNY so ordered on October 19, 2022, ordering that the Defendants answers are due on November 21, 2022; that the parties shall submit a proposed discovery plan by December 12, 2022; and that discovery in the Finch and Cedeno actions shall be coordinated with discovery in the Hi-Med action referenced below, to the extent the two actions involved overlapping issues. The parties agreed to submit the matter, together with the Hi-Med action referenced below, to mediation, which took place on January 17, 2023. On January 31, 2023, the parties advised the SDNY that the Defendants and Lead Plaintiff reached a settlement in principle and anticipate filing a motion for preliminary approval of the settlement by March 9, 2023. Accordingly, the parties requested that the SDNY suspend all further deadlines and proceedings in the Class Action Lawsuit pending submission of the motion for preliminary approval. On March 7, 2023, the parties advised the SDNY that the parties required a short extension of the motion for preliminary approval of the settlement and such motion would be filed by March 21, 2023. On March 21, 2023, the parties executed a settlement agreement and filed the motion for preliminary approval of the settlement with the SDNY, which remains pending.

U.S. Hi-Med Matter

On May 19, 2020, Hi-Med LLC ("Hi-Med"), an equity holder and one of the Unsecured Lenders who held a Unsecured Debenture in the principal amount of $5,000,000 prior to the closing of the Recapitalization Transaction filed a complaint (the "Hi-Med Complaint") in the SDNY against the Company and certain of the Company's current and former directors and officers and other defendants. Hi-Med is seeking damages of an unspecified amount and the full principal amount of the Unsecured Debenture against the Company, for among other things, alleged breaches of provisions of the Unsecured Debenture and the related debenture purchase agreement as well as alleged violations of Federal securities laws, including Sections 10(b), 10b-5 and 20(a) of the Exchange Act and common law fraud relating to alleged false and misleading statements regarding certain proceeds from the issuance of long-term debt that were held in escrow to make interest payments in the event of a default thereof. On July 9, 2020, the court issued an order consolidating the class action matter with the shareholder class action referenced above. On July 23, 2020, Hi-Med and the defendants filed a stipulation and proposed scheduling and coordination order to coordinate the pleadings for the consolidated actions. On September 4, 2020, Hi-Med filed an amended complaint (the "Hi-Med Amended Complaint"). On October 14, 2020, the SDNY issued a stipulation and scheduling and coordination order, which required that the defendants answer, move, or otherwise respond to the Hi-Med Amended Complaint no later than November 20, 2020. On November 20, 2020, the Company and certain of its current officers and directors filed a Motion to Dismiss Hi-Med's Amended Complaint. On January 8, 2021, Hi-Med filed an opposition to the Motion to Dismiss. The Company and certain of its current officers and directors' reply were filed on February 22, 2021. In a memorandum of opinion dated August 30, 2021, the SDNY granted the Company's and certain of its officers' and directors' Motion to Dismiss the Hi-Med Amended Complaint. The SDNY indicated that Hi-Med may move for leave to file a proposed second amended complaint by September 30, 2021. On September 30, 2021, Hi-Med filed a motion for leave to amend the Hi-Med Amended Complaint. On October 28, 2021, the parties filed the Stipulation regarding Hi-Med's Motion for Leave to File a second amended complaint. On November 3, 2021, the SDNY so-ordered the Stipulation and Hi-Med's second amended complaint was deemed filed as of such date. On December 20, 2021, the Company and the current named officers and directors filed a Motion to Dismiss Hi-Med's second amended complaint. Hi-Med's opposition to the Company's and its named current officers and directors' Motion to Dismiss were filed on February 3, 2022. The Company and the named officers and directors' reply to Hi-Med's opposition was filed on March 21, 2022. On September 28, 2022, the SDNY issued an opinion granting in part and denying in part the Motion to Dismiss Hi-Med's second Amended Complaint (the "Opinion"). On October 12, 2022, the parties filed a Joint Stipulation and Proposed Scheduling Order, which certain defendants (the "Moving Defendants") indicated that they may be filing a motion seeking clarification of certain aspects of the court's Opinion. The parties proposed that the Company's answer would be due on November 21, 2022 and that the parties would submit a proposed discovery plan by December 12, 2022. The Joint Stipulation and Proposed Scheduling Order was so ordered by the court on October 19, 2022. The Moving Defendants motions seeking clarification were filed on October 24, 2022 and are currently pending before the court. The parties submitted the matter, together with the Class Action Lawsuit referenced above, to mediation, which took place on January 17, 2023. On January 31, 2023, the parties advised the SDNY that the defendants and Hi-Med remain in ongoing settlement discussions. Accordingly, the parties requested that the SDNY suspend all further deadlines and proceedings in the Hi-Med action until February 21, 2023, to allow for continued settlement discussions between the parties, which the SDNY granted on February 7, 2023. On February 16, 2023, the parties advised the SDNY that the parties remained in ongoing settlement discussions and requested that SDNY extend the deadline further until March 21, 2023, which the SDNY granted on February 21, 2023. On March 16, 2023, the parties requested another extension of the deadline until April 11, 2023 to continue settlement discussions, which the SDNY granted on March 17, 2023.

Canadian Shareholder Class Action Lawsuit

On July 23, 2020, Blue Sky Realty Corporation filed a putative class action against the Company and its former Chief Executive Officer and former Chief Financial Officer in the Ontario Superior Court of Justice in Toronto, Ontario. On September 27, 2021, the court granted leave for the plaintiff to amend its claim ("Amended Claim"). In the Amended Claim, the plaintiff seeks to certify the proposed class action on behalf of two classes. "Class A" consists of all persons, other than any executive level employee of the Company and their immediate families ("Excluded Persons"), who acquired the Company's common shares in the secondary market on or after April 12, 2019, and who held some or all of those securities until after the close of trading on April 5, 2020. "Class B" consists of all persons, other than Excluded Persons, who acquired the Company's common shares prior to April 12, 2019, and who held some or all of those securities until after the close of trading on April 5, 2020. Among other things, the plaintiff alleges statutory and common law misrepresentation, and seeks an unspecified amount of damages together with interest and costs. The plaintiff also alleges common law oppression for releasing certain statements allegedly containing misrepresentations inducing Class B members to hold the Company's securities beyond April 5, 2020. No certification motion has been scheduled. The Amended Claim also changed the named plaintiff from Blue Sky Realty Corporation to Timothy Kwong. The hearing date for the motion for leave to proceed with a secondary market claim under the Securities Act (Ontario) has been vacated. On March 3, 2023, the Company made a settlement offer to the plaintiff to fully resolve the Amended Claim. The plaintiff has not yet responded to the settlement offer.

Canadian Hi-Med Matter

On June 29, 2020, Hi-Med filed a notice of claim in the Supreme Court of British Columbia against the Company, the Company's former Chief Executive Officers and other defendants, alleging that the defendants made materially false and misleading statements regarding certain proceeds from the issuance of long-term debt that were held in escrow to make interest payments in the event of a default thereof constituting oppression and seeking remedies including, but not limited to, repayment of Hi-Med's Unsecured Debenture and damages of an unspecified amount.

Walmer Matter

On May 29, 2019, Walmer Capital Limited ("Walmer") and Island Investments Holdings Limited ("Island") filed a statement of claim in the Ontario Superior Court of Justice against MPX. The claim arose from the debentures (the "MPX Debentures") issued by MPX Bioceutical Corporation ("MPX Corporation") in May 2018, the majority of which debentures were redeemed on April 24, 2019 by MPX, a wholly-owned subsidiary of the Company and the successor entity to MPX Corporation following the MPX Acquisition. MPX withheld the redemption of approximately $1,250,000 of the original subscription amount of the MPX Debentures as MPX was unable to confirm valid payment of such debentures (the "Disputed Debentures"). The plaintiffs' statement of claim alleged that the plaintiffs were entitled to the Disputed Debentures and sought immediate conversion of such debentures into the Company's common shares. In addition, the plaintiffs sought damages including, but not limited to, for breach of the Disputed Debentures and related indenture in the amount of $111,000,000 and breach of a security subordination agreement in the amount of $3,500,000. On July 2, 2019, Walmer, Island, Walmer's principal, Alastair Crawford ("Crawford"), Broughton Limited ("Broughton") and Puddles 8 Limited ("Puddles") filed a petition in British Columbia against the Company and its then directors based on the same facts as alleged in the statement of claim filed by Walmer and Island in the Ontario Superior Court of Justice and seeking a declaration that the respondents engaged in oppressive or unfairly prejudicial conduct and resulting damages. In September 2019, the parties to the Ontario action and the British Columbia petition agreed to consolidate the two proceedings into one action that addresses all issues in the British Columbia petition and agreed to discontinue the separate proceedings. On August 23, 2019, Walmer, Island, Crawford, Broughton and Puddles filed a notice of civil claim in the Supreme Court of British Columbia against MPX, the Company and its then directors consolidating the allegations made in the previously commenced Ontario action and British Columbia petition and seeking, among other things: (i) a mandatory order compelling MPX and the Company to convert the Disputed Debentures into common shares of the Company; (ii) damages for breach of the Disputed Debentures (and indentures) and breach of fiduciary obligations in the amount of $111,000,000; (iii) damages for breach of a security subordination agreement in the amount of $3,500,000; (iv) damages for breach of a consultancy agreement in the amount of $440,000 plus $150,000 plus certain warrants; and (v) damages for breach of the duty of good faith in the amount of $1,000,000. On October 31, 2019, the Company and MPX served the plaintiffs with a response and counterclaim. On December 3, 2019, the plaintiffs served (i) a notice of application seeking an order to strike the Company's and MPX's counterclaim against Timothy Childs, Island's principal, in his personal capacity, on the basis that it alleges no cause of action against him and (ii) a notice of application for summary judgment. On February 11, 2020, the Company's directors filed a defense to the plaintiffs' claim with the Supreme Court of British Columbia.

Claim by Former Consultant

On August 19, 2021, Arvin Saloum ("Saloum"), a former consultant of the Company, filed a Demand for Arbitration with the American Arbitration Association (the "Arbitration Action") against THCWC and iA AZ claiming a breach of a Consulting and Joint Venture Agreement (the "JV Agreement") for unpaid consulting fees allegedly owed to Saloum under the JV Agreement. Saloum is claiming damages between $1,000,000 and $10,000,000. On September 7, 2021, THCWC and iA AZ filed Objections and Answering Statement to Saloum's Demand for Arbitration. On November 18, 2021, THCWC and iA AZ filed a Complaint for Declaratory Judgment ("Declaratory Judgment Complaint") with the Arizona Superior Court, Maricopa County ("Arizona Superior Court"), seeking declarations that: (i) the JV Agreement is void, against public policy and terminable at will; (ii) the JV Agreement is unenforceable and not binding; and (iii) the JV Agreement only applies to sales under the Arizona Medical Marijuana Act. On January 21, 2022, Saloum filed an Answer with Counterclaims in response to the Declaratory Judgment Complaint. The Declaratory Judgment Complaint remains pending before the Arizona Superior Court. The Arbitration Action is stayed, pending resolution of the Declaratory Judgment Complaint. The parties are currently engaging in discovery. The parties have agreed to participate in mediation to try and resolve the dispute, which is expected to occur in April or May of 2023.

Claim by Maryland License Holder

On May 23, 2022, CGX Life Sciences, Inc. ("CGX"), a wholly-owned subsidiary of the Company, filed a demand for arbitration (the "CGX Arbitration") with the American Arbitration Association ("AAA") against LMS Wellness Benefit LLC ("LMS") and its 100% owner, William Huber ("Huber" and together with LMS, the "Defendants") for various breaches under the option agreements entered into between CGX and LMS, on the one hand, and CGX and Huber on the other (collectively, the "Option Agreements"). Specifically, CGX is seeking: (i) an order finding the Defendants in breach of the Option Agreements and directing specific performance by the Defendants of their obligations under the Option Agreements to complete the sale and transfer of LMS to CGX; (ii) an order either tolling or extending the closing date under the Option Agreements; (ii) an order requiring Huber to restore LMS' bank account of all sums withdrawn for the payment of contracts entered into in breach of the Option Agreements; and (iii) an order prohibiting Huber from withdrawing any further funds from LMS' bank account. On June 8, 2022, the Defendants filed an Answering Statement, denying the allegations raised by CGX and sent a notice to CGX, purporting to terminate the Option Agreements.

In addition, on June 8, 2022, LMS filed a demand for arbitration (the "S8 Arbitration") with the AAA against S8 Management, LLC ("S8"), alleging that S8 breached the Amended and Restated Management Services Agreement (the "MSA") entered into between LMS and S8 on March 12, 2018. On June 24, 2022, the Defendants filed Motion to Consolidate the CGX Arbitration and S8 Arbitration. On July 5, 2022, CGX filed an opposition to the Defendants' Motion to Consolidate and a cross-Motion to Stay the S8 Arbitration to allow the CGX Arbitration to proceed first. On July 26, 2022, the parties attended a preliminary conference with the arbitrator, at which conference the arbitrator preliminarily granted the Defendants' Motion to Consolidate and denied CGX's cross-Motion to Stay the S8 Arbitration. On October 7, 2022, CGX filed a dispositive motion for specific performance of Defendants' obligations to complete the sale of LMS to CGX (claims (i) and (ii), above), which Defendants opposed. On October 31, 2022, the arbitrator granted CGX's dispositive motion and ordered Defendants to complete the sale of LMS to CGX. The remaining claims asserted in the CGX Arbitration (claims (iii) and (iv), above) and the S8 Arbitration remain pending. On November 30, 2022, the Defendants filed a Petition to Vacate Arbitration Award and CGX filed its opposition on January 30, 2023. On February 3, 2023, the Defendants requested a hearing on the Petition to Vacate Arbitration Award. Both the Petition to Vacate Arbitration Award and request for a hearing remain pending before the Circuit Court for Baltimore County. CGX continues to prosecute its other two claims concerning Defendants' use of LMS' funds, and S8 continues to deny and defend against LMS' contentions that S8 breached the MSA.

Annual General Meeting Petition

On June 20, 2022, Michael Weisser ("Weisser") commenced a petition (the "Petition") in the Supreme Court of British Columbia (the "Court") against the Company and the Company's former board of directors. In the Petition, Weisser sought: (i) a declaration that the affairs of Company and its then-board of directors were being conducted or have been conducted in a manner that is oppressive and/or prejudicial to Weisser; (ii) an order that Weisser is entitled to call and hold the Company's annual general meeting for 2020 ("2020 AGM") on or before June 30, 2022 or a date set by the Court as soon as reasonably possible; (iii) alternatively, an order that the Company hold the 2020 AGM on or before June 30, 2022 or a date set by the Court as soon as reasonably possible; (iv) an order that the Company set the record date for the 2020 AGM; (v) an order that Weisser is entitled to appoint a chair for the 2020 AGM, or that the Court appoint an independent chair for the 2020 AGM; and (vi) an order that the Company be required to provide Weisser with an opportunity to review all votes and proxies submitted in respect of the 2020 AGM, no later than 24 hours in advance of the 2020 AGM. On June 22, 2022, Weisser was granted a short leave by the Court, which permitted a return date for the Petition of June 28, 2022. On June 24 2022, the Company closed the Recapitalization Transaction and the Company noticed the 2020 AGM, the annual general meeting for 2021 ("2021 AGM") and the annual general meeting for 2022 (the "2022 AGM" and together with the 2020 AGM and 2021 AGM, the "AGMs"). As a result, Weisser's Petition was rendered moot.

On November 14, 2022, Weisser filed an application (the "Application") in the Petition proceeding, seeking to add the Secured Lenders and Consenting Unsecured Lenders as respondents to the Petition and to amend the Petition. Specifically, Weisser is seeking to amend the Petition to request: (i) a declaration that the affairs of the Secured Lenders, Consenting Unsecured Lenders, the Company and the powers of its then-directors have been and are continuing to be conducted in a manner that is oppressive and/or prejudicial to Weisser; (ii) an order setting aside and/or unwinding the closing of the Recapitalization Transaction; (iii) an order setting aside the results of the AGMs held on August 11, 2022; (iv) an order that the 2020 AGM be held by December 31, 2022; (v) an order that the Company set the record date for the 2020 AGM to hold the meeting by December 31, 2022; (vi) an order that for purposes of voting at the 2020 AGM, the shareholdings of the Company be those shareholdings that existed prior to the closing of the Recapitalization Transaction; (vii) an order that Weisser is entitled to appoint a chair for the 2020 AGM, or that the Court appoint an independent chair for the 2020 AGM; (viii) an order that the Company be required to provide Weisser with an opportunity to review all votes and proxies submitted in respect of the 2020 AGM, no later than 24 hours in advance of the 2020 AGM; and (ix) an order that pending the 2020 AGM, the Company's current board of directors be replaced by an interim slate of directors to be nominated by Weisser. The Company intends to file a response to the Application, seeking that the Petition be dismissed as a collateral attack on the order of Justice Gomery dated October 5, 2020, approving the Recapitalization Transaction, and declaring as binding all of the releases set forth in Article 5 of the Plan of Arrangement.

Appeal of Florida Regulatory Approval of the Recapitalization Transaction

On October 29, 2021, the Florida Department of Health, Office of Medical Marijuana Use (the "OMMU") approved the requested (the "Variance Request") change of ownership and control of McCrory's resulting from the closing of the Recapitalization Transaction. On November 19, 2021, Weisser filed a petition (as amended, the "Florida Petition") with the OMMU, challenging the OMMU's approval of the Variance Request. On February 3, 2022, the Florida Division of Administrative Hearings ("DOAH") issued a Recommended Order of Dismissal, recommending that the OMMU enter a final order dismissing the Florida Petition for lack of standing. On May 4, 2022, the OMMU issued a final agency order (the "Final Order"), which accepted the recommendation of the DOAH and dismissed the Florida Petition for lack of standing. Weisser appealed the Final Order with the District Court of Appeal in the First District of Florida and filed his initial brief on November 9, 2022, which seeks a reversal of the Final Order. On February 3, 2023, the Company filed a Motion to Dismiss the appeal, which remains pending before the court.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

Market Information

Our common shares trade in Canada on the Canadian Securities Exchange under the trading symbol “IAN.” Our common shares are also quoted in the over-the-counter markets in the United States on the OTC Pink Tier of the OTC Market Group, Inc. under the trading symbol “ITHUF.” Any over-the-counter market quotations reflect inter-dealer prices, without retail mark-up, mark-down, or commission and may not necessarily represent actual transactions.

Stockholders

We had 419 shareholders of record as of March 24, 2023. This does not include shares held in the name of a broker, bank or other nominees (typically referred to as being held in “street name”).

Dividend Policy

We have not declared or paid any cash or stock dividends on our common shares since our inception and do not anticipate declaring or paying any cash or stock dividends in the foreseeable future. We are restricted from making distributions or dividend payments to us pursuant to loan agreements.

Recent Sales of Unregistered Securities

None.

ITEM 6. [RESERVED]

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

You should read the following discussion and analysis of our financial condition and plan of operations together with our accompanying consolidated financial statements and the related notes appearing elsewhere in this Annual Report on Form 10-K. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those discussed below. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included elsewhere in this Annual Report on Form 10-K. All amounts in this report are in U.S. dollars, unless otherwise noted.

Overview

We are a vertically-integrated, multi-state owner and operator of licensed cannabis cultivation, processing and dispensary facilities, and a developer, producer and distributor of innovative branded cannabis and CBD products in the United States. Although we are committed to creating a national retail brand and portfolio of branded cannabis and CBD products recognized in the United States, cannabis currently remains illegal under U.S. federal law.

Through our subsidiaries, we currently own and/or operate 35 dispensaries and 11 cultivation and/or processing facilities in nine U.S. states. Pursuant to our existing licenses, interests and contractual arrangements, and subject to regulatory approval, we have the capacity to own and/or operate up to an additional 15 dispensary licenses and/or dispensary facilities in six states, plus an uncapped number of dispensary licenses in Florida, and up to 21 total cultivation, manufacturing and/or processing facilities, and we have the right to manufacture and distribute cannabis products in nine U.S. states, all subject to the necessary regulatory approvals.

Our multi-state operations encompass the full spectrum of medical and adult-use cannabis and CBD enterprises, including cultivation, processing, product development, wholesale-distribution and retail. Cannabis products offered by us include flower and trim, products containing cannabis flower and trim (such as packaged flower and pre-rolls), cannabis infused products (such as topical creams and edibles) and products containing cannabis extracts (such as vape cartridges, concentrates, live resins, wax products, oils and tinctures). Our CBD products include topical creams, tinctures and sprays and products designed for beauty and skincare (such as lotions, creams, haircare products, lip balms and bath bombs). Under U.S. federal law, cannabis is classified as a Schedule I controlled substance under the U.S. Controlled Substances Act. A Schedule I controlled substance is defined as a substance that has no currently accepted medical use in the United States, a lack of safety use under medical supervision and a high potential for abuse. Other than Epidiolex (cannabidiol), a cannabis-derived product, and three synthetic cannabis-related drug products (Marinol (dronabinol), Syndros (dronabinol) and Cesamet (nabilone), to our knowledge, the U.S. Food and Drug Administration has not approved a marketing application for cannabis for the treatment of any disease or condition and has not approved any cannabis, cannabis-derived or CBD products.

Financial Restructuring

The significant disruption of global financial markets, and specifically, the decline in the overall public equity cannabis markets due to the COVID-19 pandemic negatively impacted our ability to secure additional capital, which caused liquidity constraints. In early 2020, due to the liquidity constraints, we attempted to negotiate temporary relief of our interest obligations with the Secured Lenders. However, we were unable to reach an agreement and did not make interest payments when due and payable to the Secured Lenders or payments that were due to the Unsecured Lenders. As a result, we defaulted on our obligations pursuant to the Secured Notes and Unsecured Debentures.

On June 22, 2020, we received a notice demanding repayment under the Amended and Restated Debenture Purchase Agreement dated October 19, 2019 of the entire principal amount of the Secured Notes, together with interest, fees, costs and other charges that have accrued or may accrue from the Collateral Agent holding security for the benefit of the Secured Notes. The Collateral Agent concurrently provided us with the Notice of Intention to Enforce Security under section 244 of the Bankruptcy and Insolvency Act (Canada).

On July 10, 2020, we entered into the Restructuring Support Agreement with the Secured Lenders and the Consenting Unsecured Lenders to effectuate the Recapitalization Transaction, which we closed on the Closing Date. Closing of the Recapitalization Transaction through the Plan of Arrangement was subject to certain conditions, including obtaining the Requisite Approvals. All Requite Approvals required to close the Recapitalization Transaction were satisfied, conditioned, or waived by us, the Secured Lenders and the Consenting Unsecured Lenders, and on Closing Date, we closed the Recapitalization Transaction pursuant to the Plan of Arrangement under the Business Corporations Act (British Columbia) approved by the Supreme Court of British Columbia. Pursuant to the terms of the Restructuring Support Agreement, the Collateral Agent, the Secured Lenders and the Consenting Unsecured Lenders agreed to forbear from further exercising any rights or remedies in connection with any events of Default. As of the Closing Date, the Collateral Agent, Secured Lenders and Consenting Unsecured Lenders irrevocably waived all Defaults. In addition, in August 2021 Gotham Green Partners, LLC and the Collateral Agent filed a Notice of Application with the Ontario Superior Court of Justice, which sought, among other things, a declaration that the outside date for closing the Recapitalization Transaction be extended, which extension was granted by such court and we subsequently appealed. Following the closing of the Recapitalization Transaction, we discontinued the appeal with prejudice.

In connection with the closing of the Recapitalization Transaction, we issued an aggregate of 6,072,579,705 common shares to the Secured Lenders and the Unsecured Lenders. Specifically, we issued the Secured Lender Shares, or 48.625% of our outstanding common shares, to the Secured Lenders and the Unsecured Lender Shares, or 48.625% of our outstanding common shares, to the Unsecured Lenders. As of the Closing Date, we had 6,244,297,897 common shares issued and outstanding. As of the Closing Date, the holders of our common shares collectively held 171,718,192 common shares, or 2.75% of our outstanding common shares.

As of the Closing Date, the outstanding principal amount of the Secured Notes (including the Interim Financing secured notes in the aggregate principal amount of approximately $14.7 million originally due on July 13, 2025) together with interest accrued and fees thereon were forgiven in part and exchanged for (A) the Secured Lender Shares, (B) the June Secured Debentures in the aggregate principal amount of $99.7 million and (C) the June Unsecured Debentures in the aggregate principal amount of $5.0 million. In addition, as of the Closing Date, the outstanding principal amount of the Unsecured Debentures together with interest accrued and fees thereon were forgiven in part and exchanged for (A) the Unsecured Lender Shares and (B) the June Unsecured Debentures in the aggregate principal amount of $15.0 million. Furthermore, all existing options and warrants to purchase our common shares, including certain debenture warrants and exchange warrants previously issued to the Secured Lenders, the warrants previously issued in connection with the Unsecured Debentures and all other Affected Equity (as defined in the Plan of Arrangement), were cancelled and extinguished for no consideration.

Secured Debenture Purchase Agreement

In connection with the closing of the Recapitalization Transaction, we entered into the Secured DPA, dated as of June 24, 2022, with ICM, the other Credit Parties (as defined in the Secured DPA), the Collateral Agent, and the New Secured Lenders pursuant to which ICM issued the New Secured Lenders the June Secured Debentures in the aggregate principal amount of $99.7 million pursuant to the Plan of Arrangement.

The June Secured Debentures accrue interest at a rate of 8.0% per annum (increasing to 11.0% upon the occurrence of an Event of Default (as defined in the Secured DPA)), are due on June 24, 2027, and may be prepaid on a pro rata basis from and after the third anniversary of the Closing Date upon prior written notice to the New Secured Lenders without premium or penalty. Upon receipt of a Change of Control Notice (as defined in the Secured DPA), each New Secured Lender may provide notice to ICM to either (i) purchase the June Secured Debenture at a the Offer Price or (ii) if the Change of Control Transaction (as defined in Secured DPA) results in a new issuer, or if the New Secured Lender desires that the June Secured Debenture remain unpaid and continue in effect after the closing of the Change of Control Transaction, convert or exchange the June Secured Debenture into a replacement debenture of the new issuer or ICM, as applicable, in the aggregate principal amount of the Offer Price on substantially equivalent terms to those terms contained in the June Secured Debenture. Notwithstanding the foregoing, if 90.0% or more of the principal amount of all June Secured Debentures outstanding have been tendered for redemption on the date of the Change of Control Notice, ICM may, at its sole discretion, redeem all of the outstanding June Secured Debentures at the Offer Price. As security for the Obligations (as defined in the Secured DPA), ICM and the Company granted to the Collateral Agent, for the benefit of the New Secured Lenders, a security interest over all of their present and after acquired personal property.

Pursuant to the Secured DPA, so long as Gotham Green Partners, LLC or any of its Affiliates (as defined in the Secured DPA) hold at least 50.0% of the outstanding principal amount of June Secured Debentures, the Collateral Agent will have the right to appoint two non-voting observers to our Board of Directors, each of which shall receive up to a maximum amount of $25,000 in any 12-month period for reasonable out-of-pocket expenses. In addition, pursuant to the Secured DPA, the New Secured Lenders purchased the Additional Secured Debentures.

Unsecured Debenture Purchase Agreement

In connection with the closing of the Recapitalization Transaction, we, as guarantor of the Guaranteed Obligations (as defined in the Unsecured DPA (as defined herein)), entered into the Unsecured DPA dated as of June 24, 2022 with ICM, the Secured Lenders and the Consenting Unsecured Lenders pursuant to which ICM issued the June Unsecured Debentures in the aggregate principal amount of $20.0 million pursuant to the Plan of Arrangement, including $5.0 million to the Secured Lenders and $15.0 million to the Unsecured Lenders.

The June Unsecured Debentures accrue interest at a rate of 8.0% per annum (increasing to 11.0% upon the occurrence of an Event of Default (as defined in the Unsecured DPA)), are due on June 24, 2027, and may be prepaid on a pro rata basis from and after the third anniversary of the Closing Date upon prior written notice to the Unsecured Lender without premium or penalty. Upon receipt of a Change of Control Notice (as defined in the Unsecured DPA), each Unsecured Lender may provide notice to ICM to either (i) purchase the June Unsecured Debenture at the Unsecured Offer Price or (ii) if the Change of Control Transaction (as defined in Unsecured DPA) results in a new issuer, or if the Unsecured Lender desires that the June Unsecured Debenture remain unpaid and continue in effect after the closing of the Change of Control Transaction, convert or exchange the June Unsecured Debenture into a replacement debenture of the new issuer or ICM, as applicable, in the aggregate principal amount of the Unsecured Offer Price on substantially equivalent terms to those terms contained in the June Unsecured Debenture. Notwithstanding the foregoing, if 90.0% or more of the principal amount of all June Unsecured Debentures outstanding have been tendered for redemption on the date of the Change of Control Notice, ICM may, at its sole discretion, redeem all of the outstanding June Unsecured Debentures at the Unsecured Offer Price. Pursuant to the Unsecured DPA, the Obligations (as defined in the Unsecured DPA) are subordinated in right of payment to the Senior Indebtedness (as defined in the Unsecured DPA).

Pursuant to the Recapitalization Transaction, the Secured Lenders, the Unsecured Lenders and the existing holders of our common shares at the closing of the Recapitalization Transaction (the “Existing Shareholders”) were allocated and issued the June Secured Debentures, the June Unsecured Debentures and percentage of our pro forma common shares, as presented in the following table:

(in ’000s of U.S. dollars)	June Secured Debentures[1]	Interim Financing[2]	June Unsecured Debentures[3]	Pro Forma Common Equity[4]
Secured Lenders	$ 85,000	$ 14,737	$ 5,000	48.625%
Unsecured Lenders	—	—	15,000	48.625%
Existing Shareholders	—	—	—	2.75%
Total	**$ 85,000**	**$ 14,737**	**$ 20,000**	**100%**

(1) The Secured Notes and Interim Financing were extinguished as of the Closing Date and, in exchange, ICM issued the June Secured Debentures in the aggregate principal amount of $99,7 million, the Secured Lender Shares and the June Unsecured Debentures in the aggregate principal amount of $5 million. See “Overview – Financial Restructuring - Secured Debenture Purchase Agreement”.

(2) Certain of the Secured Lenders provided the Interim Financing to ICM pursuant to the Restructuring Support Agreement.

(3) The Unsecured Debentures were extinguished as of the Closing Date, and in exchange, ICM issued the June Unsecured Debentures in the aggregate principal amount of $15 million and the Unsecured Lender Shares. The June Unsecured Debentures are subordinate to the June Secured Debentures, but are senior to our common shares. See “Overview – Financial Restructuring - Unsecured Debenture Agreement.

(4) On December 31, 2021, our Board of Directors approved the terms of a LTIP recommended by our compensation committee and, pursuant to which, on July 26, 2022 we issued to certain of our employees (including executive officers) an aggregate of 320,165,409 RSUs, under our Omnibus Incentive Plan in order to attract and retain such employees. RSUs represent a right to receive a single common share that is both non-transferable and forfeitable until certain conditions are satisfied. The allocation of RSUs was contingent upon the closing of the Recapitalization Transaction and was subject to approval of the Canadian Securities Exchange and the Board. All of our existing warrants and options were cancelled, and our common shares may be consolidated pursuant to a consolidation ratio which has yet to be determined.

Registration Rights Agreement

In connection with the consummation of the Recapitalization Transaction, we entered into the RRA, dated June 24, 2022, with ICM and the Holders pursuant to which we shall, upon receipt of a Shelf Request from the Substantial Holders, prepare and file (i) with the applicable Canadian Securities Regulators (as defined in the RRA), a Shelf Prospectus (as defined in the RRA) to facilitate a secondary offering of all of the Registrable Securities or (ii) with the SEC, a S-3 Registration Statement covering the resale of all Registrable Securities. In addition, pursuant to the RRA and subject to certain exceptions, the Substantial Holders may submit a Demand Registration Request that we file a Prospectus (as defined in the RRA) (other than a Shelf Prospectus) or a Registration Statement to facilitate a Distribution (as defined in the RRA) in Canada or the United States of all or any portion of the Registrable Securities (the "Demand Registration") held by the Holders requesting the Demand Registration. Moreover, pursuant to the RRA and subject to certain exceptions, if, at any time, we propose to make a Distribution for our own account, we shall notify the Holders of such Piggyback Registration and shall use reasonable commercial efforts to include in the Piggyback Registration such Registrable Securities requested by the Holders be included in such Piggyback Registration.

Investor Rights Agreement

Furthermore, in connection with the closing of the Recapitalization Transaction, we entered into the IRA, dated June 24, 2022, with ICM and the Investors. Pursuant to the IRA, among other things, the Investors are entitled to designate nominees for election or appointment to our Board as follows:

- the First Investor shall be entitled to designate director nominees as follows:
    i. For so long as the First Investor's Debt Exchange Common Share Percentage (as defined in the IRA) is at least 30.0%, the First Investor shall be entitled to designate up to three individuals as director nominees;
    ii. For so long as the First Investor's Debt Exchange Common Share Percentage is less than 30.0% but is at least 15.0%, the First Investor shall be entitled to designate up to two individuals as director nominees; and
    iii. For so long as the First Investor's Debt Exchange Common Share Percentage is less than 15.0% but is at least 5.0%, the First Investor shall be entitled to designate up to one individual as a director nominee.

The initial nominees of the First Investor were Scott Cohen, Michelle Mathews-Spradlin and Kenneth Gilbert.

- the Second Investor shall be entitled to designate up to one individual as a director nominee for so long as such Investor's Debt Exchange Common Share Percentage is at least 5.0%.
- the Third Investor shall be entitled to designate up to one individual as a director nominee for so long as such Investor's Debt Exchange Common Share Percentage is at least 5.0%.
- the Fourth Investor shall be entitled to designate up to one individual as a director nominee for so long as such Investor's Debt Exchange Common Share Percentage is at least 5.0%.

The Second Investor, Third Investor and Fourth Investor initially nominated Alexander Shoghi, Zachary Arrick and Marco D'Attanasio, respectively, as members of the Board. Mr. D'Attanasio resigned from the Board effective as of September 15, 2022 and Mr. Arrick resigned from the Board effective as of February 21, 2023. Pursuant to the IRA, both the Third Investor and Fourth Investor are entitled to appoint directors to fill the vacancies created by the resignations of Mr. D'Attanasio and Mr. Arrick. As of the date hereof, such vacancies have not been filled.

Acquisitions

GreenMart of Maryland, LLC, Rosebud Organics, Inc. and Budding Rose, Inc.

In January 2018, we, through our wholly-owned subsidiary, CGX, entered into separate option agreements, as amended, with (i) the Budding Rose Sellers, (ii) the Rosebud Sellers, (iii) the GMMD Seller, who is also our former officer and director and the sole member of GMMD, and (iv) the LMS Seller and LMS, pursuant to which, CGX was granted and exercised its options to acquire 100% ownership of Budding Rose, Rosebud, GMMD and LMS on September 16, 2021, April 1, 2021, November 5, 2021, and November 22, 2021, respectively, all subject to regulatory approval by the MMCC. On July 28, 2022, the MMCC approved CGX's request to acquire 100% ownership of Budding Rose, Rosebud and GMMD. On August 9, 2022, CGX closed on its acquisition of GMMD, and on August 18, 2022, CGX closed on its acquisitions of Rosebud and Budding Rose.

Table of Contents

On May 23, 2022, we, through CGX, filed a demand for arbitration with the American Arbitration Association against LMS and the LMS Seller for various breaches under the LMS Option Agreements. The closing of our acquisition of LMS is subject to the resolution of this pending legal matter. See "Item 3. Legal Proceedings - Claim by Maryland License Holder" for additional information.

MPX New Jersey LLC

On February 1, 2022, we, through our wholly-owned subsidiary INJ, acquired 100% ownership of MPX NJ, which holds a medical cannabis license. On October 24, 2019, INJ and MPX NJ entered into a loan agreement pursuant to which on October 16, 2019, MPX NJ issued to INJ the INJ Note. On February 3, 2021, INJ sent a notice of conversion to MPX NJ, notifying MPX NJ of INJ's election to convert the entire principal amount outstanding of such note, plus all accrued and unpaid interest thereon, into such number of Class A units of MPX NJ representing 99% of the equity interest in MPX NJ. The conversion of INJ's debt to equity is subject to approval by the CRC. On October 24, 2019, INJ, MPX NJ and the then-equityholders of MPX NJ entered into an option agreement, pursuant to which INJ was granted the option to acquire the remaining 1% of MPX NJ for nominal consideration, subject to approval of the CRC, which option INJ exercised on February 25, 2021. On January 7, 2022, the CRC approved the conversion of INJ's debt into a 99% equity interest in MPX NJ and INJ's acquisition of the remaining 1% of MPX NJ. As a result of the acquisition of MPX NJ, we expanded our cannabis operations to New Jersey and are permitted to operate one medical manufacturing facility, including cultivation and processing capabilities and up to three medical dispensaries in New Jersey, subject to regulatory approval. On November 9, 2022, we submitted our application to expand MPX NJ's current medical operations to include adult-use operations. Our application remains pending before the CRC.

Recent Developments

Issuance of common shares

On January 5, 2023, we issued 7,852,803 common shares for vested RSUs. We withheld 7,776,088 common shares to satisfy our employees' tax obligations of $0.2 million.

On March 3, 2023, we issued 27,929,525 common shares for vested RSUs to Mr. Kalcevich as per the December Separation Agreement.

Extension of INJ Senior Secured Bridge Notes

On February 2, 2023, we entered into the Amendment to the Senior Secured Bridge Notes issued by INJ on February 2, 2021 with all of the holders of such notes. Pursuant to the Amendment, the maturity date of the Senior Secured Bridge Notes was extended until February 2, 2024, the interest on the principal amount outstanding was increased to a rate of 12% per annum, and an amendment fee equal to 10% of the principal amount outstanding of the Senior Secured Bridge Notes as of February 2, 2023 or $1.4 million in the aggregate, was added to such notes such that it will become due and payable on the maturity date.

Disposition of Vermont Operations

On February 6, 2023, ICM entered into the MIPA with the VT Buyer for the sale of all of the issued and outstanding membership interests of GVMS for $0.2 million, subject to certain adjustments set forth in the MIPA. The closing of the MIPA remains subject to customary closing conditions, including approval by the CCB. On February 6, 2023, ICM, GVMS and GRVT entered into the Management Agreement with the VT Buyer, which went into effect on March 8, 2023. Pursuant to the Management Agreement, the VT Buyer will manage the operations of GRVT until the closing of the GVMS Sale. The Management Agreement terminates upon the earlier of the closing of the GVMA Sale or termination of the MIPA.

Accounting Pronouncements

See Note 3, "New Accounting Standards and Accounting Changes" in the notes to our consolidated financial statements for the fiscal year ended 2022 included elsewhere in this Annual Report on Form 10-K for more information regarding the new accounting standards applicable to us.

Results of Operations for the Years Ended December 31, 2022 and 2021

Revenues and Gross Profit

(in '000s of U.S. dollars)	Year Ended December 31, 2022	Year Ended December 31, 2021 (Revised)
Revenues		
Eastern Region	$ 96,478	$ 128,979
Western Region	65,644	72,424
Other	1,091	1,615
Total revenues	**$163,213**	**$ 203,018**
Costs and expenses applicable to revenues (exclusive of depreciation and amortization expense)		
Eastern Region	$ (44,370)	$ (45,870)
Western Region	(43,734)	(44,548)
Other	(677)	(3,072)
Total Costs and expenses applicable to revenues (exclusive of depreciation and amortization expense)	**$ (88,781)**	**$ (93,490)**
Gross profit		
Eastern Region	$ 52,108	$ 83,109
Western Region	21,910	27,876
Other	414	(1,457)
Total gross profit	**$ 74,432**	**$ 109,528**

The eastern region includes our operations in Florida, Maryland, Massachusetts, New York, New Jersey and Vermont. The western region includes our operations in Arizona and Nevada as well as our assets and investments in Colorado.

Eastern region

For the year ended December 31, 2022, our sales revenues in the eastern region were $96.5 million as compared to $129.0 million for the year ended December 31, 2021, which represents a decrease of 25.2%. The main drivers for the decrease in revenues are lower retail revenues in Florida and both lower retail and wholesale revenues in Maryland, Massachusetts and Vermont as a result of increased competition and price compression in these markets. This was offset by an increase in retail revenues in New York attributable to the sale of whole flower which was approved for sale in the state of New York in October 2021, from retail revenues earned from our new dispensary in New Jersey, which opened in May 2022, and from wholesale revenues earned from our New Jersey facility.

For the year ended December 31, 2022, gross profit was $52.1 million, or 54.0% of sales revenues, as compared to a gross profit of $83.1 million, or 64.4% of sales revenues, for the year ended December 31, 2021. Gross profit decreased due to lower selling prices in Florida, Maryland and Massachusetts as well as lower wholesale prices in Maryland and Massachusetts while production costs and sales discounts continued to increase as a result of nationwide inflation and increased competition in these markets.

During the year ended December 31, 2022, approximately 41,230 pounds of plant material was harvested in the eastern region as compared to approximately 44,520 pounds harvested during the year ended December 31, 2021. The decrease in harvested plant material was due to lower yields in Florida due to poor weather conditions and in Massachusetts from scaling back production in our Holliston facility as our Fall River facility ramped up. This was partially offset from an increase in harvested plant material from our Pleasantville, New Jersey facility which had its first harvest in June 2022. The Pleasantville, New Jersey facility harvested approximately 3,990 pounds of plant material during the year ended December 31, 2022, as compared to Nil during the year ended December 31, 2021.

Western region

For the year ended December 31, 2022, our sales revenues in the western region were $65.6 million as compared to $72.4 million for the year ended December 31, 2021, which represents a decrease of 9.4%. The decrease in revenue in the western region is attributable to lower wholesale revenues in Nevada and a decrease in retail revenues in Arizona during the year ended December 31, 2022, as compared to the year ended December 31, 2021.

For the year ended December 31, 2022, gross profit was $21.9 million, or 33.4% of sales revenues, as compared to a gross profit of $27.9 million, or 38.5% of sales revenues, for the year ended December 31, 2021. Gross margins decreased due to higher sales discounts and competitive pricing pressures in Arizona and from higher cultivation costs incurred in Nevada during the year ended December 31, 2022, as compared to the year ended December 31, 2021.

During the year ended December 31, 2022, approximately 6,930 pounds of plant material was harvested in the western region as compared to approximately 7,000 pounds harvested during the year ended December 31, 2021. Cultivation yields in both Arizona and Nevada remained consistent during the year ended December 31, 2022, as compared to the year ended December 31, 2021.

Other revenues

For the year ended December 31, 2022, other revenues were $1.1 million as compared to $1.6 million for the year ended December 31, 2021. This decrease is due to lower online and wholesale sales of CBD products. For the year ended December 31, 2022, other gross profits were $0.4 million as compared to negative $1.5 million for the year ended December 31, 2021. This increase in other gross profits is due to a significant $1.9 million inventory reserve accrued on CBD inventory during the year-ended December 31, 2021 compared to a $0.2 million inventory reserve during the year-ended December 31, 2022.

Expenses

(in ’000s of U.S. dollars)	Year Ended December 31, 2022	2021 (Revised)
Total operating expenses	$186,887	$ 133,308
Total other expenses	326,245	31,974
Income tax expense	10,691	21,736

Selling, General and Administrative Expenses Details

(in ’000s of U.S. dollars)	Year Ended December 31, 2022	2021 (Revised)
Salaries and employee benefits	$ 34,050	$ 37,232
Severance	13,400	—
Share-based compensation	30,431	6,522
Legal and other professional fees	14,334	23,512
Deferred professional fees related to the Recapitalization Transaction	7,091	—
Facility, insurance and technology costs	15,202	15,895
Marketing expenses	4,798	4,539
Travel and pursuit costs	882	621
Amortization on right-of-use assets	2,295	2,112
Other general corporate expenditures	5,604	6,534
Total	**$128,087**	**$ 96,967**

Total operating expenses

Total operating expenses other than those included in costs and expenses applicable to revenues consist of: (i) selling, general, and administrative expenses which are necessary to conduct our ordinary business operations as well as support marketing, technology, and other growth initiatives such as opening new dispensaries and building-out our facilities; (ii) depreciation and amortization charges taken on our fixed and intangible assets; and (iii) any write-downs or impairment on our assets. We have taken measures to control our discretionary spending and to employ capital efficiently. However, we expect total operating expenses to continue to increase as we continue to invest in our operations and capital projects, attract and retain top talent, and implement robust technology systems in our corporate, retail and cultivation and manufacturing facilities.

For the year ended December 31, 2022, our total operating expenses were $186.9 million as compared to $133.3 million for the year ended December 31, 2021, which represents an increase of 40.2%.

The increase in total operating expenses resulted from an increase of $31.1 million of our selling, general, and administrative expenses which is attributable to: $13.4 million in severance expenses, including a $12.0 million payment to our former Interim Chief Executive Officer; a $23.9 million increase in share-based compensation from grants of RSUs to employees, directors and officers, and the concurrent cancellation of existing stock options; and an increase in deferred professional fees of $7.1 million from the closing of the Recapitalization Transaction on June 24, 2022. Total selling, general and administrative expenses were partially offset by a decrease in legal and other professional fees of $9.2 million and a decrease from salaries and other general corporate expenditures of $4.1 million during the year ended December 31, 2022 as compared to the year ended December 31, 2021.

The increase in total operating expenses is also attributable to a $23.2 million increase in impairment loss during the year ended December 31, 2022, as compared to the year ended December 31, 2021. During the year ended December 31, 2022, we recorded $29.8 million and $0.7 million in impairment losses with respect to our Nevada and Vermont operations, respectively. This compares to $7.4 million of impairment losses during the year ended December 31, 2021 relating to our CBD business and New Jersey sublease arrangements.

The increase in total operating expenses was offset by one-time recoveries of $0.8 million from the sale of our Fall River dispensary property and the early termination of an office lease during the year ended December 31, 2022. There were immaterial write-downs and recoveries during the year ended December 31, 2021. Depreciation and amortization expenses remained consistent for the years ended December 31, 2022 and 2021.

During the year ended December 31, 2022, excise taxes were $0.6 million (December 31, 2021—$1.1 million). Excise taxes are included as part of the selling, general, and administrative expenses on the consolidated statements of operations.

Total other income and expenses

Total other income and expenses includes income and expenses that are not included in the ordinary day-to-day activities of our business. This includes interest and accretion expenses on our financing arrangements, fair value gains or losses on our financial instruments, and income earned from arrangements that are not from our ordinary revenue streams of retail, wholesale, or delivery of cannabis products.

For the year ended December 31, 2022, our total other expenses were $326.2 million as compared to $32.0 million for the year ended December 31, 2021, which represents an increase of 920.3%. Total other expenses includes other income of $13.7 million for the year ended December 31, 2022 and $1.6 million for the year ended December 31, 2021.

The increase in total other income and expenses is primarily due to a one-time $316.6 million loss on debt extinguishment related to the closing of the Recapitalization Transaction. This increase in total other expenses was offset by a decrease in accretion expense of $5.5 million as our $40.0 million secured notes, $20.0 million secured notes and $36.2 million secured notes were fully accreted as of May 2021 resulting in no accretion expense on these instruments during the year ended December 31, 2022, as compared to five months of accretion expense for these instruments taken during the year ended December 31, 2021. This was partially offset by accretion expense on the June Secured Debentures and June Unsecured Debentures since the closing of the Recapitalization Transaction on June 24, 2022. The closing of the Recapitalization Transaction resulted in the extinguishment of a portion of our total debt outstanding and a reduction in the interest rates on the June Secured Debentures, June Unsecured Debentures and the Senior Secured Bridge Notes. This resulted in lower interest expense of $5.0 million during the year ended December 31, 2022, as compared to the year ended December 31, 2021.

Furthermore, other income increased by $12.1 million during the year ended December 31, 2022 compared to the year ended December 31, 2021 primarily from a fair value gain net of tax of $10.4 million from the noncash consideration as part of the acquisition of MPX NJ and from sublease income earned from our sublease arrangements.

Income tax expense

As a result of operating in the federally illegal cannabis industry, we are subject to the limitations of Internal Revenue Code Section 280E ("Section 280E") under which taxpayers are only allowed to deduct expenses directly related to sales of product and no other ordinary business expenses. Our effective tax rate differs from the statutory tax rate and varies from year to year primarily as a result of numerous permanent differences, the provision for income taxes at different rates in foreign and domestic jurisdictions, including changes in enacted statutory tax rate increases or reductions in the year, changes in our valuation allowance based on our recoverability assessments of deferred tax assets and favorable or unfavorable resolution of various tax examinations.

For the year ended December 31, 2022, our income tax expense was $10.7 million as compared to $21.7 million for the year ended December 31, 2021, which represents a decrease of 50.8%. The decrease in income tax expense is a result of our lower taxable income during the year ended December 31, 2021 and from certain expenses that are disallowed under Section 280E.

Liquidity and Capital Resources

As of December 31, 2022, we held unrestricted cash of $14.3 million (December 31, 2021 - $13.2 million) and had an accumulated deficit of $1,251.0 million (December 31, 2021—$801.6 million), and a working capital deficit of $41.9 million (December 31, 2021 - $231.7 million). In assessing our liquidity, we monitor our cash on-hand and our expenditures required to execute our day-to-day operations and our long-term strategic plans. To date, we have financed our operations through equity and debt financings and from our cash flows from operations and we anticipate that we will need to raise additional capital to fund our operations and capital plans in the future. We expect to finance these activities through a combination of additional financings and cash flows from our operations. However, we may be unable to raise additional funds when needed and on favorable terms, or at all, which may have a negative impact on our financial condition and could force us to curtail or cease our operations. Furthermore, our outstanding debt instruments impose certain restrictions on our operating and financing activities, including certain restrictions on our ability to incur certain additional indebtedness, grant liens, make certain dividends and other payment restrictions affecting our subsidiaries, issue shares or convertible securities and sell certain assets. Even if we believe we have sufficient funds for our current or future plans, we may seek additional capital due to favorable market conditions and/or for strategic opportunities and initiatives.

Going Concern

The accompanying consolidated financial statements have been prepared on a going concern basis, which assumes that we will continue to operate as a going concern and which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. Our ability to continue as a going concern is dependent upon our ability to raise additional capital, our ability to achieve sustainable revenues and profitable operations, and our ability to obtain the necessary capital to meet our obligations and repay our liabilities when they become due.

We believe that the consummation of the Recapitalization Transaction will provide the necessary funding for us to continue funding our operations in the future. Further, the consummation of the Recapitalization Transaction resulted in lower interest rates on the June Secured Debentures, June Unsecured Debentures and the Senior Secured Bridge Notes, and allows interest to be paid-in-kind. We believe we will be able to continue to operate under a going concern for a period of no less than 12 months from the date of the consolidated financial statements included elsewhere in this Annual Report on our Form 10-K. The consolidated financial statements included in this Annual Report on Form 10-K do not include any adjustments that might be necessary if we are unable to continue as a going concern.

While we believe that we have funding necessary for us to continue as a going concern, we may need to raise additional capital and there can be no assurance that such capital will be available to us on favorable terms, if at all. As such, these material circumstances cast substantial doubt on our ability to continue as a going concern for a period of no less than 12 months from the date of this report, and our consolidated financial statements do not include any adjustments that might be necessary if we are unable to continue as a going concern. We have based this estimate on assumptions that may prove to be wrong, and we could utilize our available capital resources sooner than we currently plan due to incorrect assumptions or due to a decision to expand our activities beyond those currently planned.

Cash Flow for the Year Ended December 31, 2022 as Compared to the Year Ended December 31, 2021

Operating Activities

Our net cash flows from operating activities are affected by several factors, including revenues generated by operations, increases or decreases in our operating expenses, including expenses related to new capital projects and development of existing or newly acquired businesses and the level of cash collections received from our customers.

Net cash used in operating activities during the year ended December 31, 2022 was $19.5 million as compared to net cash provided from operating activities of $16.1 million for the year ended December 31, 2021. The reduction in our net cash provided from operating activities was due to our net loss of $449.4 million, partially offset by a one-time non-cash loss on debt extinguishment from the consummation of the Recapitalization Transaction of $316.6 million, $30.4 million in share-based compensation as a result of the issuance of RSUs and concurrent cancellation of all existing stock options, $31.4 million of depreciation and amortization expense, $30.6 million in impairment loss from our Nevada and Vermont operations, $18.7 million in interest expense, a $10.5 million gain from nonmonetary consideration from the MPX NJ acquisition, $3.6 million of accretion expense, $7.8 million from changes in our deferred income taxes, and $16.7 million from changes in operating assets and liabilities items during the year ended December 31, 2022.

Changes in other operating assets for the year ended December 31, 2022, include an increase in inventory of $1.1 million due to lower sales during the year ended December 31, 2022 as compared to the year ended December 31, 2021, and an increase of $1.3 million related to the recognition of right-of-use assets during the year ended December 31, 2022.

Changes in other operating liabilities for the year ended December 31, 2022, include an increase in accrued and other current liabilities of $21.0 million due to accrued income taxes for the period, interest and recapitalization fees due upon closing of the Recapitalization Transaction on June 24, 2022, and a decrease in accounts payable of $3.1 million.

As we continue to expand our operations and as these operations become more established, we continue to expect cash flow to be provided from operations, and we intend to place less reliance on financing from other sources to fund our operations. Although we expect to continue to have positive cash flows from operations in 2023, no assurance can be given that we will have positive cash flows in the future.

Investing Activities

Net cash used in investing activities during the year ended December 31, 2022 was $4.7 million as compared to $21.3 million for the year ended December 31, 2021. The decrease in cash used in investing activities was primarily attributable to lower cultivation and dispensary construction expenditures of $6.9 million during the year ended December 31, 2022 as compared to $19.4 million during the year ended December 31, 2021. In addition, during the year ended December 31, 2022, we loaned $0.1 million to MPX NJ as compared to $1.2 million during the year ended December 31, 2021.

Cash inflows from investing activities during the year ended December 31, 2022 included the sale of certain property, plant and equipment of $2.4 million as compared to $0.3 million for the year ended December 31, 2021.

Financing Activities

Net cash provided by financing activities for the year ended December 31, 2022 was $22.1 million as compared to $10.2 million for the year ended December 31, 2021. During the year ended December 31, 2022, we received proceeds from the issuance of the Additional Secured Debentures of $24.3 million which was partially offset by approximately $0.4 million from the repayment of debt. Further, as part of the RSUs issuances, we paid $1.8 million on our employees' behalf during the year ended December 31, 2022. This compares to the issuance of the Senior Secured Bridge Notes in the principal amount of $11.0 million, offset by related debt issuance costs of $0.7 million and repayment of certain debt of less than $0.1 million during the year ended December 31, 2021.

Related Party Transactions

As part of the MPX Acquisition on February 5, 2019, we acquired a related party receivable of $0.7 million due from a company owned by a former director and officer, Elizabeth Stavola. The related party receivable was converted into a loan facility of up to $10 million, which accrued interest at the rate of 16%, compounded annually. Interest was due upon maturity of the loan on December 31, 2021. During the year ended December 31, 2021, we exercised our right to convert the principal balance of the loan and accrued interest into a 99% equity interest in MPX NJ and exercised our option to acquire the remaining 1% of MPX NJ, which was approved by the CRC on January 7, 2022. We recorded acquisition costs of $0.3 million and $Nil within selling, general and administrative expenses on the consolidated statements of operations for the year ended December 31, 2022 and 2021, respectively. As of December 31, 2022, the balance of such facility was $Nil (December 31, 2021 – $4.6 million), which includes accrued interest of $Nil (December 31, 2021—$0.9 million). The related party balances are presented in other long-term assets on the consolidated balance sheets.

Upon the closing of the Recapitalization Transaction, certain of our lenders held greater than 5% of the voting interests in our Company and therefore are classified as related parties. For further discussion, refer to Note 9 of the consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

Effective as of May 6, 2022 (the "Resignation Date"), Randy Maslow, our Interim Chief Executive Officer and President and a member of the Board of Directors, resigned from his executive positions, including all positions with our subsidiaries and its affiliates, and from our Board of Directors and committees. In connection with the resignation, we executed a separation agreement (the "Separation Agreement") with Mr. Maslow, pursuant to which Mr. Maslow will receive certain compensation and benefits valued to substantially equal the value of entitlements he would have received under Section 4(g) of his employment agreement. Specifically, Mr. Maslow received total cash compensation in the amount of approximately $12.2 million (the "Separation Payment"), of which $5.1 million was paid out on May 6, 2022 (made up, in part of a portion of severance payment of approximately $4.8 million, and unpaid 2021 bonus of $300,000). The remainder of the Separation Payment was to be paid out in equal installments of approximately $0.9 million per month over the next eight months following the Resignation Date, which became accelerated upon the closing of the Recapitalization Transaction. The total outstanding balance of the Separation Payment owed to Mr. Maslow was paid in full as of July 15, 2022. Under the terms of the Separation Agreement, we will continue to pay the monthly premium for Mr. Maslow's continued participation in our health and dental insurance benefits pursuant to COBRA for one year from the Resignation Date. Mr. Maslow's compensation and benefits under the Separation Agreement also included the extension of exercise period of options to acquire our common shares, until the earlier of (i) five years from the Resignation Date; (ii) the original expiration dates of the applicable option; or (iii) the closing of the Recapitalization Transaction. In accordance with the terms of the Separation Agreement, Mr. Maslow's options to acquire our common shares expired as of the Closing Date of the Recapitalization Transaction. Mr. Maslow served in a consulting role for a period of six months following the Resignation Date at a base compensation of $25,000 per month. As of November 6, 2022, the term of Mr. Maslow's consultancy terminated and we did not elect to extend the period in accordance with the Separation Agreement. During the year ended December 31, 2022, we paid $0.1 million to Mr. Maslow in relation to consulting services provided (December 31, 2021—$Nil).

Effective as of November 14, 2022, Julius Kalcevich, our now former Chief Financial Officer, resigned from his executive positions, including all positions with our subsidiaries and its affiliates. In connection with the resignation, on December 7, 2022 (the "Execution Date"), we executed a separation agreement (the "December Separation Agreement"), pursuant to which, Mr. Kalcevich will receive certain compensation and benefits valued to substantially equal the value of entitlements he would have received under Section 4(g) of his employment agreement. Specifically, Mr. Kalcevich will receive total cash compensation in the amount of approximately $1.1 million, which is payable in equal installments of approximately $0.1 million per month over a period of 10 months following the Execution Date. As of December 31, 2022, the total payments made in relation to the December Separation Agreement were $0.2 million. Per the December Separation Agreement, Mr. Kalcevich was also issued a total of 27,929,525 RSUs with a fair value of $1.0 million, which became fully vested upon issuance. As of the Execution Date, all unvested outstanding stock options and RSUs previously issued to Mr. Kalcevich were accelerated and all related unrecognized compensation cost was recognized in our consolidated statements of operations.

Pursuant to the Secured DPA, we have a related party payable of $6.3 million due to certain of the New Secured Lenders, including Gotham Green Fund 1, L.P., Gotham Green Fund 1 (Q), L.P., Gotham Green Fund II, L.P., Gotham Green Fund II (Q), L.P., Oasis Investment Master II Fund LTD., Senvest Global (KY), LP Senvest Master Fund, LP and Hadron Healthcare and Consumer Special Opportunities Master Fund, for certain out-of-pocket costs, charges, fees, taxes and other expenses incurred by the New Secured Lenders in connection with the closing of the Recapitalization Transaction (the "Deferred Professional Fees"). These New Secured Lenders held greater than 5% of our outstanding common shares upon the closing of the Recapitalization Transaction and are therefore considered to be related parties. We had until December 31, 2022 to pay the Deferred Professional Fees ratably based on the amount of each New Secured Lender's Deferred Professional Fees. The Deferred Professional Fees shall accrue simple interest at the rate of 12% from the Closing Date until December 31, 2022. Beginning with the first business day of the month following December 31, 2022, interest began accruing on the Deferred Professional Fees at the rate of 20% calculated on a daily basis and is payable on the first business day of every month until the Deferred Professional Fees and accrued interest thereon is paid in full. As of December 31, 2022, the outstanding related party portion of the Deferred Professional Fees including accrued interest was $6.7 million (December 31, 2021 – $Nil). The related party balance is presented in accrued and other current liabilities on the consolidated balance sheets.

Critical Accounting Policies and Accounting Estimates

Critical Accounting Policies

Inventories

Inventory is comprised of supplies, raw materials, finished goods and work-in-process such as harvested cannabis plants and by-products to be harvested. Inventory is valued at the lower of cost, determined on a weighted average cost basis, and net realizable value. The direct and indirect costs of inventory initially include the costs to cultivate the harvested plants at the time of harvest. They also include subsequent costs such as materials, labor, and overhead involved in processing, packaging, labeling, and inspection to turn raw materials into finished goods. All direct and indirect costs related to inventory are capitalized as they are incurred and are subsequently recorded within costs and expenses applicable to revenues in the consolidated statements of operations at the time of sale.

Leases

We lease some items of property, plant and equipment, office, cultivation, processing and dispensary space. On the lease commencement date, a lease is classified as a capital lease or an operating lease based on the classification criteria of the lease guidance under GAAP. As of January 1, 2019, we adopted Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic 842 Leases ("ASC 842") and applied the lease classification criteria contained therein for any new leases. Upon adoption of ASC 842, we recorded right-of-use ("ROU") assets for all of our leased assets classified as operating leases. The ROU assets were computed as the present value of future minimum lease payments, including additional payments resulting from a change in an index such as a consumer price index or an interest rate, plus any prepaid lease payments minus any lease incentives received. A lease liability was also recorded at the same time. No ROU asset is recorded for leases with a lease term, including any reasonably assured renewal terms, of 12 months or less.

Share-based Compensation

Share-based awards are measured at the fair value of the stock options at the grant date and recognized as expense over the requisite service periods in our consolidated statements of operations. The fair value of options is determined using the Black-Scholes option pricing model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the share-based awards granted shall be based on the number of awards that eventually vest. Amounts recorded for forfeited or expired unexercised options are accounted for in the year of forfeiture. Upon the exercise of stock options, consideration received on the exercise of share-based awards is recorded as paid-in-capital.

Share-based compensation expense includes compensation cost for employee and non-employee share-based payment awards granted and all modified or cancelled awards. In addition, compensation expense includes the compensation cost, based on the grant-date fair value calculated under ASC 718-10-55. We recognize compensation expense for share-based awards on a straight-line basis over the requisite service period for awards that vest solely based on a service condition. Compensation expense for equity awards that vest based on both service and performance conditions are recognized over the requisite service period of the award using the graded vesting method. Share-based compensation expense is not adjusted for estimated forfeitures, but instead adjusted upon an actual forfeiture of a stock option. We utilize the risk-free rate determined by the market yield on Government of Canada marketable bonds over the contractual term of the instrument being issued.

Business Combinations

In accordance with the FASB ASC Topic 805 Business Combinations ("ASC 805"), we allocate the fair value of the purchase consideration to the tangible and intangible asset purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets acquired and liabilities assumed requires estimates and the use of valuation techniques when a market value is not readily available. Any excess of purchase price over the fair value of net tangible and intangible assets acquired is allocated to goodwill. If we obtain new information about the facts and circumstances that existed as of the acquisition date during the measurement period, which may be up to one year from the acquisition date, we may record an adjustment to the assets acquired and liabilities assumed.

Classification of an acquisition as a business combination or an asset acquisition depends on whether the assets acquired constitute a business, which can be a complex judgment. Whether an acquisition is classified as a business combination or asset acquisition can have a significant impact on the accounting considerations on and after acquisition.

Debt Modifications and Extinguishments

In accordance with the FASB ASC Topic 470-50 Debt Modifications and Extinguishments ("ASC 470-50"), we determine the fair value of any debt modified or extinguished on the closing date of the modification as well as the fair value of what was received in exchange of any debt modification or extinguishment. The determination of these fair values requires estimates and the use of valuation techniques when a market value is not readily available. Any difference between the exchange resulting from a debt modification or extinguishment may result in a gain or loss on debt extinguishment within our consolidated statements of operations.

Critical Accounting Estimates

The preparation of our consolidated financial statements and related disclosures in conformity with GAAP and our discussion and analysis of our financial condition and operating results require our management to make judgments, assumptions and estimates that affect the amounts reported. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Our significant accounting policies are described in Note 2, "Summary of Significant Accounting Policies," of the notes to consolidated financial statements included elsewhere in this Annual Report on Form 10-K describes the significant accounting policies and methods used in the preparation of our consolidated financial statements. We believe the following critical accounting policies govern the more significant judgments, estimates and assumptions that have the most significant effect on the amounts recognized in the consolidated financial statements are described below.

Estimated Useful Lives and Depreciation and Amortization of Long-Lived Assets

Depreciation and amortization of long-lived assets are 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 consider factors such as economic and market conditions and the useful lives of assets. The estimated useful life and amortization or depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Inventories

Inventory is valued at the lower of cost, determined on a weighted average cost basis, and net realizable value. Net realizable value is determined as the estimated selling price less a reasonable estimate of the costs of completion, disposal, and transportation. The determination of net realizable value requires significant judgment, including consideration of factors such as shrinkage, the aging of and future demand for inventory, expected future selling price, what we expect to realize by selling the inventory and the contractual arrangements with customers. At the end of each reporting period, we perform an assessment of inventory obsolescence to measure inventory at the lower of cost or net realizable value. Factors considered in determining obsolescence include, but are not limited to, slow-moving inventory or products that can no longer be marketed.

Share-based Compensation

We use the Black-Scholes pricing model to determine the fair value of stock options granted under share-based payment arrangements. The critical assumptions and estimates used in determining the fair value of share-based compensation include: expected life of options, volatility of our future share price, risk free rate, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

JOBS Act

On April 5, 2012, the JOBS Act was enacted. Section 107 of the JOBS Act provides that an "emerging growth company" can take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. In other words, an "emerging growth company" can delay the adoption of certain accounting standards until those standards would otherwise apply to private companies.

We have chosen to take advantage of the extended transition periods available to emerging growth companies under the JOBS Act for complying with new or revised accounting standards until those standards would otherwise apply to private companies provided under the JOBS Act. As a result, our financial statements may not be comparable to those of companies that comply with public company effective dates for complying with new or revised accounting standards.

Subject to certain conditions set forth in the JOBS Act, as an "emerging growth company," we intend to rely on certain of these exemptions, including, without limitation, (i) providing an auditor's attestation report on our system of internal controls over financial reporting pursuant to Section 404(b) of the Sarbanes-Oxley, and (ii) complying with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements, known as the auditor discussion and analysis. We will remain an "emerging growth company" until the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of $1.24 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of our initial public offering; (iii) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

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

As a smaller reporting company, we are not required to provide the information required by this item.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Index to the Consolidated Financial Statements

*Marcum LLP, New York, NY (PCAOB ID: 688)

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of
iAnthus Capital Holdings, Inc.

Opinion on the Financial Statements

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

Explanatory Paragraph – Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern. As more fully described in Note 2, the Company has a significant working capital deficiency, has incurred significant losses and needs to raise additional funds to meet its obligations and sustain its operations. These conditions raise substantial doubt about the Company's ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

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

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

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

/s/ Marcum LLP

Marcum LLP

We have served as the Company's auditor since 2018.

New York, NY
March 29, 2023

iANTHUS CAPITAL HOLDINGS, INC.
CONSOLIDATED BALANCE SHEETS
(In thousands of U.S. dollars or shares)

	December 31, 2022	December 31, 2021 (Revised)
Assets		
Cash	$ 14,336	$ 13,244
Restricted cash	70	3,334
Accounts receivable, net of allowance for doubtful accounts of $87 (December 31, 2021 - $27)	3,999	3,595
Prepaid expenses	2,215	3,178
Inventories, net	29,800	28,692
Other current assets	202	1,603
Current Assets	**50,622**	**53,646**
Investments	232	568
Property, plant and equipment, net	103,320	112,634
Right-of-use assets, net	28,399	30,429
Other long-term assets	3,847	8,650
Intangible assets, net	117,047	139,062
Total Assets	**$ 303,467**	**$ 344,989**
Liabilities and Shareholders' Equity (Deficit)		
Accounts payable	$ 10,690	$ 13,636
Accrued and other current liabilities	74,036	98,933
Current portion of long-term debt, net of issuance costs	51	165,381
Derivative liabilities	—	16
Current portion of lease liabilities	7,789	7,342
Current Liabilities	**92,566**	**285,308**
Long-term debt, net of issuance costs	147,261	27,999
Deferred income tax	23,815	27,507
Long-term portion of lease liabilities	28,836	27,814
Total Liabilities	**292,478**	**368,628**
Commitments and Contingencies (Refer to Note 13)		
Shareholders' Equity (Deficit)		
Common shares - no par value. Authorized - unlimited number. 6,403,289 - issued and outstanding (December 31, 2021 - 171,718 - issued and outstanding)	—	—
Shares to be issued	—	1,531
Additional paid-in capital (Refer to Note 10)	1,262,012	776,462
Accumulated deficit	(1,251,023)	(801,632)
Total Shareholders' Equity (Deficit)	**$ 10,989**	**$ (23,639)**
Total Liabilities and Shareholders' Equity (Deficit)	**$ 303,467**	**$ 344,989**

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

Table of Contents

iANTHUS CAPITAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands of U.S. dollars, except per share amounts)

	Year Ended December 31, 2022	Year Ended December 31, 2021 (Revised)
Revenues, net of discounts	$ **163,213**	$ **203,018**
Costs and expenses applicable to revenues (exclusive of depreciation and amortization expense shown separately below)	**(88,781)**	**(93,490)**
Gross profit	**74,432**	**109,528**
Operating expenses		
Selling, general and administrative expenses	128,087	96,967
Depreciation and amortization	29,095	28,927
(Recoveries), write-downs and other charges, net	(846)	47
Impairment loss	30,551	7,367
Total operating expenses	**186,887**	**133,308**
Loss from operations	**(112,455)**	**(23,780)**
Interest income	86	517
Other income	13,720	1,573
Interest expense	(18,658)	(23,615)
Accretion expense	(3,590)	(9,057)
Provision for debt obligation fee	(804)	(1,677)
Loss on debt extinguishment (Refer to Note 9)	(316,577)	—
(Losses)/gains from changes in fair value of financial instruments	(422)	285
Loss before income taxes	**(438,700)**	**(55,754)**
Income tax expense	10,691	21,736
Net loss	$ **(449,391)**	$ **(77,490)**
Net loss per share - basic and diluted	$ **(0.13)**	$ **(0.45)**
Weighted average number of common shares outstanding - basic and diluted	**3,371,545**	**171,718**

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

iANTHUS CAPITAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)
(In thousands of U.S. dollars or shares)

	Year Ended December 31, 2022				
	Number of Common Shares ('000)	Shares to be Issued	Additional Paid-in-Capital	Accumulated Deficit	Total Shareholders' (Deficit) Equity
Balance – January 1, 2022 – (Revised)	**171,718**	**$ 1,531**	**$ 776,462**	**$ (801,632)**	**$ (23,639)**
Share-based compensation	219,596	—	30,431	—	30,431
Share issuance – Recapitalization Transaction	6,072,580	—	455,443	—	455,443
Share issuance – MPX purchase option	408	(1,500)	1,500	—	—
Share settlement for taxes paid related to Restricted Stock Units	(61,013)	—	(1,824)	—	(1,824)
Cancellation of shares to be issued	—	(31)	—	—	(31)
Net loss	—	—	—	(449,391	(449,391)
Balance – December 31, 2022	**6,403,289**	**$ —**	**$ 1,262,012**	**$ (1,251,023)**	**$ 10,989**

	Year Ended December 31, 2021				
	Number of Common Shares ('000)	Shares to be Issued	Additional Paid-in-Capital	Accumulated Deficit	Total Shareholders' Equity (Deficit)
Balance – January 1, 2021 – (Revised)	**171,718**	**$ 1,531**	**$ 769,940**	**$ (724,142)**	**$ 47,329**
Share-based compensation	—	—	6,522	—	6,522
Net loss – (Revised)	—	—	—	(77,490)	(77,490)
Balance – December 31, 2021 – (Revised)	**171,718**	**$ 1,531**	**$ 776,462**	**$ (801,632)**	**$ (23,639)**

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

iANTHUS CAPITAL HOLDINGS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands of U.S. dollars)

	Year Ended December 31, 2022	Year Ended December 31, 2021 (Revised)
CASH FLOW FROM OPERATING ACTIVITIES		
Net loss	$ (449,391)	$ (77,490)
Adjustments to reconcile net loss to net cash (used in) provided by operations:		
Interest income	(86)	(517)
Interest expense	18,658	23,615
Accretion expense	3,590	9,057
Provision for debt obligation fee	804	1,677
Impairment loss	30,551	7,367
Depreciation and amortization	31,390	31,040
(Recoveries), write-downs and other charges, net	(846)	47
Inventory reserve	—	1,902
Share-based compensation	30,431	6,522
Losses/(gains) from change in fair value of financial instruments	422	(285)
Cancellation of shares to be issued	(31)	—
Gain from nonmonetary consideration from acquisition (Refer to Note 4)	(10,460)	—
Loss on debt extinguishment (Refer to Note 9)	316,577	—
Deferred income taxes	(7,782)	(4,623)
Change in operating assets and liabilities (Refer to Note 17)	16,677	17,836
NET CASH FLOW (USED IN) PROVIDED BY OPERATING ACTIVITIES	**$ (19,496)**	**$ 16,148**
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(6,939)	(19,440)
Acquisition of other intangible assets	(113)	(959)
Proceeds from sale of property, plant and equipment	2,399	275
Issuance of related party promissory note	(91)	(1,194)
Purchase of subsidiaries, net of cash acquired	4	—
NET CASH USED IN INVESTING ACTIVITIES	**$ (4,740)**	**$ (21,318)**
CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of debt	24,250	11,000
Debt issuance costs	—	(694)
Repayment of debt	(362)	(68)
Taxes paid related to net share settlement of restricted stock units	(1,824)	—
NET CASH PROVIDED BY FINANCING ACTIVITIES	**$ 22,064**	**$ 10,238**
CASH AND RESTRICTED CASH:		
NET (DECREASE) / INCREASE IN CASH AND RESTRICTED CASH DURING THE YEAR	(2,172)	5,068
CASH AND RESTRICTED CASH, BEGINNING OF YEAR (Refer to Note 2(f))	16,578	11,510
CASH AND RESTRICTED CASH, END OF YEAR (Refer to Note 2(f))	**$ 14,406**	**$ 16,578**

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

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

Note 1 – Organization and Description of Business

iAnthus Capital Holdings, Inc. (“ICH”, or “iAnthus”), together with its consolidated subsidiaries (the “Company”) was incorporated under the laws of British Columbia, Canada, on November 15, 2013. The Company is a vertically-integrated multi-state owner and operator of licensed cannabis cultivation, processing and dispensary facilities, and developer, producer and distributor of innovative branded cannabis and cannabidiol (“CBD”) products in the United States. Through the Company’s subsidiaries, licenses, interests and contractual arrangements, the Company has the capacity to operate dispensaries and cultivation/processing facilities, and manufacture and distribute cannabis across the states in which the Company operates in the U.S.

The Company’s registered office is located at 1055 West Georgia Street, Suite 1500, Vancouver, British Columbia, V6E 4N7, Canada. The Company is listed on the Canadian Securities Exchange (the “CSE”) under the ticker symbol “IAN” and on the OTC Pink Tier, of the OTC Markets Group, Inc. under the symbol “ITHUF.”

The Company’s business activities, and the business activities of its subsidiaries, which operate in jurisdictions where the use of marijuana has been legalized under state and local laws, currently are illegal under U.S. federal law. The U.S. Controlled Substances Act classifies marijuana as a Schedule I controlled substance. Any proceeding that may be brought against the Company could have a material adverse effect on the Company’s business plans, financial condition and results of operations.

Note 2—Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying consolidated financial statements (the “financial statements”) have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”). These consolidated financial statements are presented in U.S. dollars.

The Company is an “emerging growth company,” as defined in Rule 12b-2 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as modified by the Jumpstart Our Business Start-ups Act of 2012 (the “JOBS Act”). Section 107 of the JOBS Act provides that an emerging growth company can take advantage of the extended transition period provided in Section 13(a) of the Exchange Act for complying with new or revised accounting standards applicable to public companies. An emerging growth company may delay the adoption of certain accounting standards until those standards would otherwise apply to non-public companies. The Company has elected to take advantage of this extended transition period and as a result, the Company may not adopt new or revised accounting standards on effective dates as they are applicable to public companies.

(b) Consummation of Recapitalization Transaction

On June 24, 2022 (the “Closing Date”), the Company completed its previously announced recapitalization transaction (the “Recapitalization Transaction”) pursuant to the terms of that certain Restructuring Support Agreement (as amended, the “Restructuring Support Agreement”) dated July 10, 2020, as amended on June 15, 2021, by and among the Company, all of the holders (the “Secured Lenders”) of the 13.0% senior secured convertible debentures (the “Secured Notes”) issued by iAnthus Capital Management, LLC (“ICM”), a wholly-owned subsidiary of the Company, and a majority of the holders (the “Consenting Unsecured Lenders”) of the Company’s 8.0% unsecured convertible debentures (the “Unsecured Debentures”). Closing of the Recapitalization Transaction through an amended and restated plan of arrangement (the “Plan of Arrangement”) was subject to certain conditions, including: approval of the Secured Lenders, Unsecured Lenders and existing holders of our common shares, warrants, and options; approval of the Plan of Arrangement by the Supreme Court of British Columbia (the “Court”); and the receipt of all necessary state regulatory approvals in which we operate that require approval and approval by the CSE (collectively, the “Requisite Approvals”). All Requite Approvals required to c lose the Recapitalization Transaction were satisfied, conditioned, or waived by us, the Secured Lenders and the Consenting Unsecured Lenders on the Closing Date. The Recapitalization Transaction closed pursuant to the terms of the amended and restated plan of arrangement (the “Plan of Arrangement”) under the Business Corporations Act (British Columbia) approved by the Supreme Court of British Columbia (the “Court”). Pursuant to the terms of the Restructuring Support Agreement, Gotham Green Admin 1, LLC as collateral agent (the “Collateral Agent”), the Secured Lenders and the Consenting Unsecured Lenders agreed to forbear from further exercising any rights or remedies in connection with any events of default that existed or may have existed in the future arising under any of the purchase agreements with respect to the Secured Notes and all other agreements delivered in connection therewith, the purchase agreements with respect to the Unsecured Debentures and all other agreements delivered in connection therewith and any other agreement to which the Collateral Agent, Secured Lenders, or Consenting Unsecured Lenders are a party to (collectively, the “Defaults”). As of the Closing Date, the Collateral Agent, Secured Lenders and Consenting Unsecured Lenders irrevocably waived all Defaults.

In connection with the closing of the Recapitalization Transaction, the Company issued an aggregate of 6,072,580 common shares to the Secured Lenders and all of the holders (the "Unsecured Lenders" and together with the Secured Lenders, the "Lenders") of the Unsecured Debentures. Specifically, the Company issued 3,036,290 common shares (the "Secured Lender Shares"), or 48.625% of the outstanding common shares of the Company, to the Secured Lenders and 3,036,290 common shares (the "Unsecured Lender Shares" and together with Secured Lender Shares, the "Shares"), or 48.625% of the outstanding common shares of the Company, to the Unsecured Lenders. As of the Closing Date, there were 6,244,298 common shares of the Company issued and outstanding. As of the Closing Date, the then existing holders of the Company's common shares collectively held 171,718 common shares, or 2.75% of the outstanding common shares of the Company.

As of the Closing Date, the outstanding principal amount of the Secured Notes (including the interim financing secured notes in the aggregate principal amount of approximately $14.7 million originally due on July 13, 2025 (the "Interim Financing")) together with interest accrued and fees thereon were forgiven in part and exchanged for (A) the Secured Lender Shares, (B) June Secured Debentures (as defined below) in the aggregate principal amount of $99.7 million and (C) June Unsecured Debentures (as defined below) in the aggregate principal amount of $5.0 million. Also, as of the Closing Date, the outstanding principal amount of the Unsecured Debentures together with interest accrued and fees thereon were forgiven in part and exchanged for (A) the Unsecured Lender Shares and (B) June Unsecured Debentures in the aggregate principal amount of $15.0 million. Furthermore, all existing options and warrants to purchase common shares of the Company, including certain debenture warrants and exchange warrants previously issued to the Secured Lenders, the warrants previously issued in connection with the Unsecured Debentures and all other Affected Equity (as defined in the Plan of Arrangement), were cancelled, and extinguished for no consideration.

Secured Debenture Purchase Agreement

In connection with the closing of the Recapitalization Transaction, the Company entered into a Third Amended and Restated Secured Debenture Purchase Agreement (the "Secured DPA"), dated as of June 24, 2022, with ICM, the other Credit Parties (as defined in the Secured DPA), the Collateral Agent, and the lenders party thereto (the "New Secured Lenders") pursuant to which ICM issued the New Secured Lenders 8.0% secured debentures (the "June Secured Debentures") in the aggregate principal amount of $99.7 million pursuant to the Plan of Arrangement.

The June Secured Debentures accrue interest at a rate of 8.0% per annum (increasing to 11.0% upon the occurrence of an Event of Default (as defined in the Secured DPA)), are due on June 24, 2027 and may be prepaid on a pro rata basis from and after the third anniversary of the Closing Date upon prior written notice to the New Secured Lenders without premium or penalty. Upon receipt of a Change of Control Notice (as defined in the Secured DPA), each New Secured Lender may provide notice to ICM to either (i) purchase the June Secured Debenture at a price equal to 103.0% of the then outstanding principal amount together with interest accrued thereon (the "Offer Price") or (ii) if the Change of Control Transaction (as defined in Secured DPA) results in a new issuer, or if the New Secured Lender desires that the June Secured Debenture remain unpaid and continue in effect after the closing of the Change of Control Transaction, convert or exchange the June Secured Debenture into a replacement debenture of the new issuer or ICM, as applicable, in the aggregate principal amount of the Offer Price on substantially equivalent terms to those terms contained in the June Secured Debenture. Notwithstanding the foregoing, if 90.0% or more of the principal amount of all June Secured Debentures outstanding have been tendered for redemption on the date of the Change of Control Notice, ICM may, at its sole discretion, redeem all of the outstanding June Secured Debentures at the Offer Price. As security for the Obligations (as defined in the Secured DPA), ICM and the Company granted to the Collateral Agent, for the benefit of the New Secured Lenders, a security interest over all of their present and after acquired personal property.

Pursuant to the Secured DPA, so long as Gotham Green Partners, LLC or any of its Affiliates (as defined in the Secured DPA) hold at least 50.0% of the outstanding principal amount of June Secured Debentures, the Collateral Agent will have the right to appoint two non-voting observers to the Company's Board of Directors ("the Board"), each of which shall receive up to a maximum amount of $25 in any 12-month period for reasonable out-of-pocket expenses.

In addition, pursuant to the Secured DPA, the New Secured Lenders purchased an additional $25.0 million of June Secured Debentures (the "Additional Secured Debentures").

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

Unsecured Debenture Purchase Agreement

In connection with the closing of the Recapitalization Transaction, the Company, as guarantor of the Guaranteed Obligations (as defined in the Unsecured DPA (as defined herein)), entered into an Unsecured Debenture Purchase Agreement (the "Unsecured DPA") dated as of June 24, 2022 with ICM, the Secured Lenders and the Consenting Unsecured Lenders pursuant to which ICM issued 8.0% unsecured debentures (the "June Unsecured Debentures") in the aggregate principal amount of $20.0 million pursuant to the Plan of Arrangement, including $5.0 million to the Secured Lenders and $15.0 million to the Unsecured Lenders.

The June Unsecured Debentures accrue interest at a rate of8.0% per annum (increasing to 11.0% upon the occurrence of an Event of Default (as defined in the Unsecured DPA)), are due on June 24, 2027 and may be prepaid on a pro rata basis from and after the third anniversary of the Closing Date upon prior written notice to the Unsecured Lender without premium or penalty. Upon receipt of a Change of Control Notice (as defined in the Unsecured DPA), each Unsecured Lender may provide notice to ICM to either (i) purchase the June Unsecured Debenture at a price equal to 103.0% of the then outstanding principal amount together with interest accrued thereon (the "Unsecured Offer Price") or (ii) if the Change of Control Transaction (as defined in Unsecured DPA) results in a new issuer, or if the Unsecured Lender desires that the June Unsecured Debenture remain unpaid and continue in effect after the closing of the Change of Control Transaction, convert or exchange the June Unsecured Debenture into a replacement debenture of the new issuer or ICM, as applicable, in the aggregate principal amount of the Unsecured Offer Price on substantially equivalent terms to those terms contained in the June Unsecured Debenture. Notwithstanding the foregoing, if 90.0% or more of the principal amount of all June Unsecured Debentures outstanding have been tendered for redemption on the date of the Change of Control Notice, ICM may, at its sole discretion, redeem all of the outstanding June Unsecured Debentures at the Unsecured Offer Price. Pursuant to the Unsecured DPA, the Obligations (as defined in the Unsecured DPA) are subordinated in right of payment to the Senior Indebtedness (as defined in the Unsecured DPA).

Refer to Note 9 for further discussion regarding the Recapitalization Transaction.

(c) Going Concern

These consolidated financial statements have been prepared under the assumption that the Company will be able to continue its operations and will be able to realize its assets and discharge its liabilities in the normal course of business in the foreseeable future. For the year ended December 31, 2022, the Company reported a net loss of $449.4 million, operating cash outflow of $19.5 million and an accumulated deficit of $1,251.0 million as of December 31, 2022. This includes an impairment loss of its intangible assets, right-of-use asset, and property, plant and equipment balances of $30.6 million.

The closing of the Recapitalization Transaction resulted in lower interest rates on the June Secured Debentures, June Unsecured Debentures and the $11.0 million senior secured bridge notes issued by iAnthus New Jersey, LLC ("INJ") on February 2, 2021 ("Senior Secured Bridge Notes") and allows interest to be paid-in-kind. As such, the Company believes it may generate positive cash flows in the near future. Notwithstanding the foregoing, the Company's substantial losses and working capital deficiency cast substantial doubt on the Company's ability to continue as a going concern for a period of no less than 12 months from the date of these consolidated financial statements. These consolidated financial statements do not include any adjustments that might be necessary if the Company is unable to continue as a going concern.

(d) Basis of Consolidation

The consolidated financial statements include the accounts of the Company together with its consolidated subsidiaries except for subsidiaries which the Company has identified as variable interest entities where the Company is not the primary beneficiary.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

The accounts of subsidiaries are prepared for the same reporting period as the parent company using consistent accounting policies. Intercompany accounts and transactions, including all unrealized intercompany gains or losses on transactions have been eliminated. The Company's subsidiaries and its interests in each are presented below as of December 31, 2022:

Name of Entity	Place of Incorporation	Interest
MPX Bioceutical ULC ("MPX ULC") (1)	Canada	100%
MPX Luxembourg SARL (1)	Luxembourg	100%
ABACA, Inc. (1)	Arizona, USA	100%
Ambary, LLC (1)	Arizona, USA	100%
Health For Life, Inc. (1)	Arizona, USA	100%
iAnthus Arizona, LLC ("iA AZ")	Arizona, USA	100%
S8 Management, LLC (1)	Arizona, USA	100%
S8 Rental Services, LLC (1)	Arizona, USA	100%
Soothing Options, Inc. (1)	Arizona, USA	100%
The Healing Center Wellness Center, Inc. ("THCWC") (1)	Arizona, USA	100%
Bergamot Properties, LLC	Colorado, USA	100%
Scarlet Globemallow, LLC	Colorado, USA	100%
iAnthus Capital Management, LLC ("ICM")	Delaware, USA	100%
GHHIA Management, Inc. ("GHHIA")	Florida, USA	100%
GrowHealthy Properties, LLC ("GHP")	Florida, USA	100%
iAnthus Holdings Florida, LLC ("IHF")	Florida, USA	100%
McCrory's Sunny Hill Nursery, LLC ("McCrory's")	Florida, USA	100%
iA IT, LLC	Illinois, USA	100%
Budding Rose, Inc. (1)	Maryland, USA	100%
GreenMart of Maryland, LLC (1)	Maryland, USA	100%
LMS Wellness, Benefit, LLC (1)	Maryland, USA	100%
Rosebud Organics, Inc. (1)	Maryland, USA	100%
Cannatech Medicinals, Inc. (1)	Massachusetts, USA	100%
Fall River Development Company, LLC (1)	Massachusetts, USA	100%
IMT, LLC (1)	Massachusetts, USA	100%
Mayflower Medicinals, Inc.	Massachusetts, USA	100%
Pilgrim Rock Management, LLC	Massachusetts, USA	100%
CGX Life Sciences, Inc. ("CGX") (1)	Nevada, USA	100%
GreenMart of Nevada NLV, LLC (GMNV) (1)	Nevada, USA	100%
iAnthus Northern Nevada, LLC	Nevada, USA	100%
GTL Holdings, LLC	New Jersey, USA	100%
iA CBD, LLC ("iA CBD")	New Jersey, USA	100%
iAnthus New Jersey, LLC	New Jersey, USA	100%
MPX New Jersey, LLC (1)	New Jersey, USA	100%
Citiva Medical, LLC ("Citiva")	New York, USA	100%
iAnthus Empire Holdings, LLC	New York, USA	100%
FWR, Inc. (2)	Vermont, USA	100%
Grassroots Vermont Management Services, LLC (2)	Vermont, USA	100%
Pakalolo, LLC	Vermont, USA	100%

(1) Entities acquired as a part of the MPX Bioceutical Corporation ("MPX") acquisition on February 5, 2019 (the "MPX Acquisition").
(2) Entities in Vermont - the sale agreement for the business in Vermont was executed on February 6, 2023.

(e) Use of Estimates

The preparation of the consolidated financial statements in conformity with U.S. GAAP requires management to make estimates and judgements that affect the application of accounting policies and the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Estimates and assumptions are continuously evaluated and are based on management's experience and other factors, including expectations regarding future events that are believed to be reasonable under the circumstances. Actual results may differ significantly from these estimates.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

Significant estimates made by management include, but are not limited to: economic lives of leased assets; inputs used in the valuation of inventory; allowances for potential uncollectability of accounts receivable, provisions for inventory obsolescence; impairment assessment of long- lived assets; depreciable lives of property, plant and equipment; useful lives of intangible assets; accruals for contingencies including tax contingencies; valuation allowances for deferred income tax assets; estimates of fair value of identifiable assets and liabilities acquired in business combinations; estimates of fair value of derivative instruments; and estimates of the fair value of stock-based payment awards.

(f) Cash and Restricted Cash

For purposes of the consolidated balance sheets and the statements of cash flows, cash includes cash and restricted cash amounts held primarily in U.S. dollars.

Restricted cash balances are those which meet the definition of cash and cash equivalents but are not available for use by the Company. As of December 31, 2022, the Company held less than $0.1 million as restricted cash (December 31, 2021—$3.3 million, which was mainly related to funds held in escrow from the Senior Secured Bridge Notes.

The following table summarizes a reconciliation of cash and restricted cash reported within the consolidated balance sheets to such amounts presented in the statements of cash flows:

	As of December 31,	
	2022	**2021**
Cash	$ 14,336	$ 13,244
Restricted cash	70	3,334
Total cash and restricted cash presented in the statements of cash flows	**$ 14,406**	**$ 16,578**

(g) Accounts Receivable

Allowances for doubtful accounts receivable are based on the Company's assessment of the collectability of specific customer balances, which is based upon a review of the customer's creditworthiness and past collection history. For trade accounts receivable deemed as uncollectible, and arose from the sale of goods or services, the Company will write off the specific balance against the allowance for doubtful accounts when it is known that a provided amount will not be collected.

(h) Inventories

Inventory is comprised of supplies, raw materials, finished goods and work-in-process such as harvested cannabis plants and by-products to be harvested. Inventory is valued at the lower of cost, determined on a weighted average cost basis, and net realizable value. The direct and indirect costs of inventory initially include the costs to cultivate the harvested plants at the time of harvest. They also include subsequent costs such as materials, labor, and overhead involved in processing, packaging, labeling, and inspection to turn raw materials into finished goods. All direct and indirect costs related to inventory are capitalized as they are incurred and are subsequently recorded within costs and expenses applicable to revenues on the consolidated statements of operations at the time of sale.

Net realizable value is determined as the estimated selling price less a reasonable estimate of the costs of completion, disposal, and transportation. At the end of each reporting period, the Company performs an assessment of inventory obsolescence to measure inventory at the lower of cost or net realizable value. Factors considered in determining obsolescence include, but are not limited to, slow-moving inventory or products that can no longer be marketed. As such, any identified slow moving and/or obsolete inventory is written down to its net realizable value through costs and expenses applicable to revenues on the consolidated statements of operations.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

(i) Investments

The Company currently accounts for its equity-accounted investments using the equity method of accounting in accordance with Accounting Standards Codification ("ASC") 323. Investments are initially recognized at cost. Subsequent to initial recognition, the carrying value of the Company's investments are adjusted for the Company's share of income or loss and distributions each reporting period. The carrying value of the Company's investments are assessed for indicators or impairment at each balance sheet date.

The Company applies fair value accounting for its other investments recognized as financial assets that are disclosed at fair value in the financial statements on a recurring basis. Fair value is defined as the price that would be received from selling an asset in an orderly transaction between market participants at the measurement date. When determining the fair value measurements for assets 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 of market participants.

(j) Property, Plant and Equipment

Property, plant and equipment are recorded at historical cost net of accumulated depreciation, write-downs and impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful life as follows:

Buildings	—	20 - 25 years
Leasehold improvements	—	over the shorter of the initial term of the underlying lease plus any reasonably assured renewal terms, and the useful life of the asset
Production equipment	—	5 years
Processing equipment	—	5 years
Sales equipment	—	3 - 5 years
Office equipment	—	3 - 5 years
Land	—	not depreciated

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items or components of property, plant and equipment and each major component is assigned an appropriate useful life. Gains and losses on disposal of an item are determined by comparing the proceeds from disposal with the carrying amount of the item and are recognized in profit or loss. When assets are retired or disposed of, the cost and accumulated depreciation are removed from the respective accounts and any related gain or loss is recognized in the consolidated statements of operations. Maintenance and repairs are charged to expense as incurred. Significant expenditures, which extend the useful lives of assets or increase productivity, are capitalized.

Construction in progress includes construction progress payments, deposits, engineering costs, and other costs directly related to the construction of cultivation, processing or dispensary facilities. Expenditures are capitalized during the construction period and construction in progress is transferred to the appropriate class of property, plant and equipment when the assets are available for use, at which point the depreciation of the asset commences.

The Company reviews the carrying values of its property, plant and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group might not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent when testing for, and measuring for, impairment. In performing its review of recoverability, the Company estimates the future cash flows expected to result from the use of the asset or asset group and its eventual disposition. If the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset or asset group, an impairment loss is recognized in the consolidated statements of operations. Measurement of the impairment loss is based on the excess of the carrying amount of the asset or asset group over the fair value calculated using discounted expected future cash flows.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

A liability for the fair value of an asset retirement obligation associated with the retirement of tangible long-lived assets and the associated asset retirement costs are recognized in the period in which the liability and costs are incurred if a reasonable estimate of fair value can be made using a discounted cash flow model. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset and subsequently amortized over the asset's useful life. The liability is accreted over the period of expected cash outflows.

As a result of declining performance of GMNV during the year ended December 31, 2022, an impairment test was performed for GMNV's long-lived assets as of December 31, 2022. The Company calculated the fair value of the asset group using the income approach, which estimates the present value of future cash flows based on management's forecast of revenue growth and operating margins. If the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset or asset group, an impairment loss is recognized in the consolidated statements of operations. Measurement of the impairment loss is based on the excess of the carrying amount of the asset or asset group over the fair value calculated using discounted expected future cash flows. The Company concluded that the carrying amount of the long-lived assets exceeded the fair value and recorded an impairment loss of $29.9 million for the year ended December 31, 2022, of which $2.7 million has been allocated to property, plant and equipment.

On November 1, 2022, the Company entered into a non-binding term sheet to sell its Vermont business. Subsequently, on February 6, 2023, the Company through its wholly-owned subsidiary, ICM, entered into a Membership Interest Purchase Agreement (the "MIPA"), pursuant to which the Company agreed to sell its Vermont business for proceeds of less than the carrying amount of the asset group (refer to Note 18). As of December 31, 2022, the Company concluded that the asset group met the criteria for assets held for sale. In accordance with ASC Subtopic 360-10, the Company performed an impairment assessment prior to reclassifying the asset group as held for sale. During the year ended December 31, 2022, the Company recorded an impairment loss of $0.7 million, of which less than $0.1 million was allocated to property, plant and equipment for the year ended December 31, 2022.

As a result, the Company recorded a total impairment loss of $30.6 million for the year ended December 31, 2022, of which impairment loss of $2.7 million has been allocated to property, plant and equipment (December 31, 2021—$5.5 million and impairment loss of less than $0.1 million was allocated to property, plant and equipment related to the Company's CBD business).

(k) Leases

The Company leases some items of property, plant and equipment, office, cultivation, processing and dispensary space. On the lease commencement date, a lease is classified as a capital lease or an operating lease based on the classification criteria of the lease guidance under U.S. GAAP. As of January 1, 2019, the Company adopted Financial Accounting Standard Board ("FASB") ASC Topic 842 *Leases* ("ASC 842") and applied the lease classification criteria contained therein for any new leases. Upon adoption of ASC 842, the Company recorded right-of-use ("ROU") assets for all of its leased assets classified as operating leases. The ROU assets were computed as the present value of future minimum lease payments, including additional payments resulting from a change in an index such as a consumer price index or an interest rate, plus any prepaid lease payments minus any lease incentives received.
A lease liability was also recorded at the same time. No ROU asset is recorded for leases with a lease term, including any reasonably assured renewal terms, of 12 months or less.

Upon adoption of ASC 842, the Company also recorded lease liabilities computed as the present value of future minimum lease payments, including additional payments resulting from a change in an index or an interest rate. Lease liabilities are amortized using the effective interest method.

Depreciation on the ROU asset is calculated as the difference between the expected straight-line rent expense over the lease term less the accretion on the lease liability.

As a result of declining performance of GMNV during the year ended December 31, 2022, an impairment test was performed for GMNV's long-lived assets as of December 31, 2022 (Refer to Note 2(j)). The Company concluded that the carrying amount of the long-lived assets exceeded the fair value and recorded an impairment loss of $29.9 million for the year ended December 31, 2022, of which $3.0 million has been allocated to its ROU assets.

On November 1, 2022, the Company entered into a non-binding term sheet to sell its Vermont business. Subsequently, on February 6, 2023, the Company through its wholly-owned subsidiary, ICM, entered into the MIPA, pursuant to which the Company agreed to complete the sale of its Vermont business (refer to Note 18). As of December 31, 2022, the Company concluded that the asset group met the criteria for assets held for sale. In accordance with ASC Subtopic 360-10, the Company performed an impairment assessment prior to reclassifying the asset group as held for sale. During the year ended December 31, 2022, the Company recorded an impairment loss of $0.7 million, of which less than $0.1 million was allocated to ROU assets for the year ended December 31, 2022.

As a result, the Company recorded an impairment loss of $30.6 million for the year ended December 31, 2022, of which impairment loss of $3.0 million has been allocated to the ROU assets (December 31, 2021—$5.5 million and impairment loss of less than $0.3 million was allocated to the ROU assets related to the Company's CBD business).

(l) Intangible Assets

Intangible assets with a finite life are recorded at cost and are amortized on a straight-line basis over estimated useful lives. Intangible assets with an indefinite life are not amortized and are assessed annually for impairment, or more frequently if indicators of impairment arise. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

The Company capitalizes certain internal-use software development costs, consisting primarily of contractor costs and employee salaries and benefits allocated to the software. Capitalization of costs incurred in connection with internally developed software commences when both the preliminary project stage is completed and management has authorized further funding for the project, based on a determination that it is probable the project will be completed and used to perform the function intended. Capitalization of costs ceases no later than the point at which the project is substantially complete and ready for its intended use. All other costs are expensed as incurred. Amortization is calculated on a straight-line basis over three years. Costs incurred for enhancements that are expected to result in additional functionalities are capitalized.

Intangible assets mainly comprise of licenses acquired in business combinations. Licenses are amortized over 15 years, which better reflects the useful lives of the assets. Trademarks are amortized over 7 to 15 years, and all other intangible assets with a finite life are amortized over 1 to 5 years.

The Company reviews the carrying values of its intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset or asset group might not be recoverable. Assets are grouped at the lowest level for which identifiable cash flows are largely independent when testing for, and measuring for, impairment. In performing its review for recoverability, the Company estimates the future cash flows expected to result from the use of the asset or asset group and its eventual disposition. If the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset or asset group, an impairment loss is recognized in the consolidated statements of operations. Measurement of the impairment loss is based on the excess of the carrying amount of the asset or asset group over the fair value calculated using discounted expected future cash flows.

As a result of declining performance of GMNV during the year ended December 31, 2022, an impairment test was performed for GMNV's long-lived assets as of December 31, 2022. The Company calculated the fair value of the asset group using the income approach, which estimates the present value of future cash flows based on management's forecast of revenue growth and operating margins. If the sum of the expected undiscounted future cash flows is less than the carrying amount of the asset or asset group, an impairment loss is recognized in the consolidated statements of operations. Measurement of the impairment loss is based on the excess of the carrying amount of the asset or asset group over the fair value calculated using discounted expected future cash flows. The Company concluded that the carrying amount of the long-lived assets exceeded the fair value and recorded an impairment loss of $29.9 million for the year ended December 31, 2022, of which $24.1 million has been allocated to intangible assets.

On November 1, 2022, the Company entered into a non-binding term sheet to sell its Vermont business. Subsequently, on February 6, 2023, the Company through its wholly-owned subsidiary, ICM, entered into the MIPA, pursuant to which the Company agreed to complete the sale of its Vermont business (refer to Note 18). As of December 31, 2022, the Company concluded that the asset group met the criteria for assets held for sale. In accordance with ASC Subtopic 360-10, the Company performed an impairment assessment prior to reclassifying the asset group as held for sale. During the year ended December 31, 2022, the Company recorded an impairment loss of $0.7 million, of which $0.6 million was allocated to intangible assets for the year ended December 31, 2022.

As a result, the Company recorded total impairment loss of $30.6 million for the year ended December 31, 2022, of which $24.8 million has been allocated to intangible assets (December 31, 2021—$5.5 million and impairment loss of less than $5.2 million was allocated to intangible assets related to the Company's CBD business).

(m) Assets Held For Sale

The Company classifies assets held for sale in accordance with ASC Topic 360. When the Company makes the decision to sell an asset, the Company assesses if such asset should be classified as an asset held for sale. To classify as an asset held for sale, the asset or disposal group must meet all of the following conditions: i) management, having the authority to approve the action, commits to a plan to sell the asset, ii) the asset is available for immediate sale in its present condition, subject to certain customary terms, iii) an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated, iv) the sale of the asset is probable and the transfer of the asset is expected to qualify for recognition as a completed sale, within one year, subject to certain exceptions, v) the asset is being actively marketed for sale at a price that is reasonable in relation to its current value, and vi) actions required to complete the plan indicate that it is unlikely that the plan will be significantly changed or withdrawn. Assets held for sale are measured at the lower of their carrying amount or fair value less cost to sell ("FVLCTS"). FVLCTS is the amount obtainable from the sale of the asset in an arm's length transaction, less the costs of disposal. Once classified as held for sale, any depreciation and amortization on an asset cease to be recorded. As of December 31, 2022, the Company had $0.2 million in net assets held for sale which is recorded in property, plant and equipment, right-of-use assets, and intangible assets on the consolidated balance sheets. There were no assets held for sale as of December 31, 2021.

(n) Goodwill

Goodwill represents the excess of purchase price paid over the fair value of net identifiable assets (tangible and intangible assets) acquired in business combination transactions. Goodwill is not subject to amortization and is tested for impairment annually or more frequently if events or circumstances indicate that the asset might be impaired. The Company performs a qualitative assessment of its reporting units and certain select quantitative calculations against its current long-range plan to determine whether it is more likely than not (a likelihood of more than 50 percent) that the fair value of a reporting unit is less than its carrying amount. The Company considers persistent and lasting decline in revenue, negative operating cash flows, changes in internal strategic expansion plans, negative developments in the U.S. cannabis regulatory environment at the federal, state and local levels, and a significant continued decline in stock price, among other factors, as part of the qualitative assessment.

The Company first assesses certain qualitative factors to determine whether the existence of events or circumstances leads to determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. After assessing the totality of events or circumstances, the Company determines if it is not more likely than not that the fair value of a reporting unit is less than its carry amount, then performing the two-step impairment test is unnecessary. When necessary, impairment of goodwill is tested at the reporting unit level by comparing the reporting unit's carrying amount, including goodwill, to the fair value of the reporting unit. The fair value of the reporting unit is estimated using a discounted cash flow approach. If the carrying amount of the reporting unit exceeds its fair value, then a second step is performed to measure the amount of impairment loss, if any, by comparing the fair value of each identifiable asset and liability in the reporting unit to the total fair value of the reporting unit. As of December 31, 2022, the Company has no goodwill (December 31, 2021—$Nil).

(o) Derivative Liabilities and Long-term Debt

The Company's debt instruments contain a host liability, freestanding warrants and in some instances, an embedded conversion feature. The Company uses the guidance under FASB ASC Topic 815 *Derivatives and Hedging* ("ASC 815") to determine if the embedded conversion feature must be bifurcated and separately accounted for as a derivative under ASC 815. It also determines whether any embedded conversion features requiring bifurcation and/or freestanding warrants qualify for any scope exceptions contained within ASC 815. Generally, contracts issued or held by a reporting entity that are both (i) indexed to its own stock; and (ii) classified in shareholders' equity, would not be considered a derivative for the purposes of applying ASC 815. Any embedded conversion features and/or freestanding warrants that do not meet the scope exception noted above are classified as derivative liabilities, initially measured at fair value and remeasured at fair value each reporting period with changes in fair value recognized in the consolidated statements of operations. Any embedded conversion feature and/or freestanding warrants that meet the scope exception under ASC 815 are initially recorded at their relative fair value in paid-in-capital and are not remeasured at fair value in future periods.

The host debt instrument is initially recorded at its relative fair value in long-term debt. The host debt instrument is accounted for in accordance with guidance applicable to non-convertible debt under FASB ASC Topic 470 *Debt* ("ASC 470") and is accreted to its face value over the term of the debt with accretion expense and periodic interest expense recorded in the consolidated statements of operations.

Issuance costs are allocated to each instrument (the debt host, embedded conversion feature and/or freestanding warrants) in the same proportion as the proceeds that are allocated to each instrument other than issuance costs directly related to an instrument are allocated to that instrument only. Issuance costs allocated to the debt host instrument are netted against the proceeds allocated to the debt host. Issuance costs allocated to an instrument classified as derivative liability are expensed in the period that they are incurred in the consolidated statements of operations. Issuance costs allocated to freestanding warrants classified in equity are recorded in paid-in-capital.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

Upon settlement of convertible debt instruments, ASC 470-20 requires the issuer to allocate total settlement consideration, inclusive of transaction costs, amongst the liability and equity components of the instrument based on the fair value of the liability component immediately prior to repurchase. The difference between the settlement consideration allocated to the liability component and the net carrying value of the liability component, including unamortized debt issuance costs, is recognized as gain (loss) on extinguishment of debt in the consolidated statements of operations. The remaining settlement consideration allocated to the equity component is recognized as a reduction of additional paid-in capital in the consolidated balance sheets.

(p) Income Taxes

Income taxes are accounted for under the asset and liability method whereby deferred income tax assets and liabilities are recognized for the expected future tax consequences of temporary differences between the accounting and tax bases of assets and liabilities and net operating loss carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on deferred income tax assets and liabilities of a change in tax rates or laws is recognized in the consolidated statements of operations in the period in which the change is enacted.

The Company assesses realization of deferred income tax assets and, based on all available evidence, concludes whether it is more likely than not that the net deferred income tax assets will be realized. A valuation allowance is provided for the amount of deferred income tax assets not considered to be realizable.

The Company has elected to classify interest and penalties related to income tax liabilities, when applicable, as part of the selling, general and administrative expenses in its consolidated statements of operations.

The Company is subject to ongoing tax exposures, examinations and assessments in various jurisdictions. Accordingly, the Company may incur additional tax expense based upon the outcomes of such matters. The Company follows the provisions of ASC Topic 740, *Accounting for Income Taxes.* ASC Topic 740 clarifies the accounting for uncertainties in income taxes recognized in a Company's consolidated financial statements. ASC Topic 740 also prescribes a recognition threshold and measurement attribute for the consolidated financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. ASC Topic 740 provides guidance on derecognition, classification, interest and penalties, disclosures and transition. As required by the uncertain tax position guidance in ASC Topic 740, the Company recognized the benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position following an audit. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement with the relevant tax authority. The Company does not expect any significant changes in the unrecognized tax benefits within 12 months of the reporting date.

(q) Revenue Recognition

The Company recognizes revenue under the provision of ASC 606—*Revenue from Contracts with Customers.* The Company generates revenue primarily from the sale of cannabis, cannabis related products and provision of services. The Company uses the following five-step contract-based analysis of transactions to determine if, when and how much revenue can be recognized:

1. Identify the contract with a customer;
2. Identify the performance obligation(s) in the contract;
3. Determine the transaction price;

4. Allocate the transaction price to the performance obligation(s) in the contract; and
5. Recognize revenue when or as the Company satisfies the performance obligation(s).

Revenue from the sale of cannabis is generally recognized when control over the goods has been transferred to the customer. Payment for medical sales is typically due prior to shipment for wholesale orders and at point-of-sale for retail orders. Payment for wholesale transactions is due within a specified time period as permitted by the underlying agreement and the Company's credit policy upon the transfer of goods to the customer. The Company generally satisfies its performance obligation and transfers control to the customer upon delivery and acceptance by the customer. Revenue is recorded at the estimated amount of consideration to which the Company expects to be entitled. Substantially all of the Company's sales are single performance obligations arrangements for which the transaction price is equivalent to the stated price of the products net of any stated discounts applicable at point of sale.

Revenue is recognized net of sales incentives and returns, after discounts.

(r) Costs and Expenses Applicable to Revenues

Costs and expenses applicable to revenues represents costs directly related to processing and distribution of the Company's products. Primary costs include raw materials, packaging, direct labor, overhead, and shipping and handling. Manufacturing overhead and related expenses include salaries, wages, employee benefits, utilities, maintenance and property taxes. The Company recognizes the costs and expenses applicable to revenues at the time the related revenues are recognized.

(s) Foreign Currency Translation

The functional and reporting currency of the Company is the U.S. dollar. Monetary assets and liabilities denominated in currencies other than the functional currency are translated into the functional currency at the foreign exchange rates prevailing at the end of the period. Non-monetary assets and liabilities measured at historical cost are translated using the exchange rate at the date of the transaction. Realized and unrealized foreign exchange gains and losses are included in the determination of earnings in the period in which they arise.

(t) Share-based Compensation

The Company has a share-based compensation plan which includes options and restricted stock units ("RSUs"). Share-based awards are measured at the fair value of the awards at the grant date and recognized as expense over the requisite service periods in the Company's consolidated statements of operations. The fair value of options is determined using the Black-Scholes option pricing model which incorporates all market vesting conditions. The number of options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognized for services received as consideration for the share-based awards granted shall be based on the number of awards that eventually vest. Amounts recorded for forfeited or expired unexercised options are accounted for in the year of forfeiture. Upon the exercise of stock options, consideration received on the exercise of share-based awards is recorded as paid-in-capital. The fair value of RSUs is determined using the Company's closing stock price on the grant date.

Share-based compensation expense includes compensation cost for employee awards granted and all modified or cancelled awards. In addition, compensation expense includes the compensation cost, based on the grant-date fair value calculated under FASB ASC Topic 718 *Share-based payments* ("ASC 718-10-55"). Share-based compensation expense is not adjusted for estimated forfeitures, but instead adjusted upon an actual forfeiture of a stock option. The Company utilizes the risk free rate determined by the market yield on United States Treasury marketable bonds over the contractual term of the instrument being issued.

The critical assumptions and estimates used in determining the fair value of share-based compensation include: expected life of options, volatility of the Company's future share price, risk free rate, future dividend yields and estimated forfeitures at the initial grant date. Changes in assumptions used to estimate fair value could result in materially different results.

The Company's policy is to issue new common shares from treasury to satisfy stock options which are exercised.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

The Company recognizes compensation expense for RSUs and options on a straight-line basis over the requisite service period for awards that vest solely based on a service condition. Compensation expense for awards that vest based on both service and performance conditions are recognized over the requisite service period of the award using the graded vesting method. Non-market vesting conditions are included in the assumptions about the number of options that are expected to become exercisable. Any cumulative adjustment prior to vesting is recognized in the current period. No adjustment is made to any expense recognized in prior period if share options ultimately exercised are different to that estimated on vesting.

(u) Contingent Liabilities

In accordance with the FASB ASC Topic 450 *Contingencies*, the Company will make a provision for a liability when it is both probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company reviews these provisions in conjunction with any related provisions on assets related to the claims at least quarterly and adjusts these provisions to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other pertinent information related to the case.

The Company expenses legal costs relating to its lawsuits, claims and proceedings as incurred.

(v) Business Combinations

In accordance with the FASB ASC Topic 805 *Business Combinations* (“ASC 805”), the Company allocates the fair value of purchase consideration to the tangible and intangible asset purchased and the liabilities assumed on the basis of their fair values at the date of acquisition. The determination of fair values of assets acquired and liabilities assumed requires estimates and the use of valuation techniques when a market value is not readily available. Any excess of purchase price over the fair value of net tangible and intangible assets acquired is allocated to goodwill. If the Company obtains new information about the facts and circumstances that existed as of the acquisition date during the measurement period, which may be up to one year from the acquisition date, the Company may record adjustment to the assets acquired and liabilities assumed.

(w) Revision of Prior Period Financial Statements

During the three months ended March 31, 2022, the Company determined that it had not appropriately recorded cost of inventory as of December 31, 2021. This resulted in an overstatement of the inventory balance, accrued and other current liabilities, income tax expense and accumulated deficit as of December 31, 2021, and an understatement of costs and expenses applicable to revenues for the year ended December 31, 2021.

Based on an analysis of Accounting Standards Codification ASC 250 – “Accounting Changes and Error Corrections” (“ASC 250”), Staff Accounting Bulletin 99 – “Materiality” and Staff Accounting Bulletin 108 – “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements”, the Company determined that these errors were immaterial to the previously issued financial statements, and as such no restatement was necessary. Correcting prior period financial statements for immaterial errors would not require previously filed reports to be amended.

The effect of the adjustments on the line items within the Company’s consolidated balance sheet as of December 31, 2021 is as follows:

	December 31, 2021		
	As previously reported	Adjustment	As adjusted
Inventories	$ 30,447	$ (1,755)	$ 28,692
Current assets	55,401	(1,755)	53,646
Total assets	346,744	(1,755)	344,989
Accrued and other current liabilities	99,446	(513)	98,933
Current liabilities	285,821	(513)	285,308
Total liabilities	369,141	(513)	368,628
Accumulated deficit	(800,390)	(1,242)	(801,632)
Total shareholders’ deficit	(22,397)	(1,242)	(23,639)
Total liabilities and shareholders’ deficit	346,744	(1,755)	344,989

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

The effect of the adjustments on the line items within the Company's consolidated statements of operations as of December 31, 2021 is as follows:

	Year Ended December 31, 2021		
	As previously reported	Adjustment	As adjusted
Costs and expenses applicable to revenues (exclusive of depreciation and amortization expense)	$ (91,735)	$ (1,755)	$ (93,490)
Gross profit	111,283	(1,755)	109,528
Loss from operations	(22,025)	(1,755)	(23,780)
Loss from operations before income tax	(53,999)	(1,755)	(55,754)
Income tax expense	22,249	(513)	21,736
Net loss	(76,248)	(1,242)	(77,490)
Earnings per share	(0.44)	(0.01)	(0.45)

The effect of the adjustments on the line items on the Company's consolidated statement of cash flow for the year ended December 31, 2021 is as follows:

	Year Ended December 31, 2021		
	As previously reported	Adjustment	As adjusted
Net loss	$ (76,248)	$ (1,242)	$ (77,490)
Change in operating assets and liabilities	16,594	1,242	17,836

The effect of the adjustment on the line items within the Company's inventories as of December 31, 2021 is as follows:

	Year Ended December 31, 2021		
	As previously reported	Adjustment	As adjusted
Supplies	$ 6,188	$ —	$ 6,188
Raw materials	5,641	215	5,856
Work in process	11,219	(1,970)	9,249
Finished goods	7,399	—	7,399
Total	**$ 30,447**	**$ (1,755)**	**$28,692**

The effect of the adjustments on the line items within the Company's consolidated statements of changes in shareholders' (deficit) equity for the year ended December 31, 2022 is as follows:

	December 31, 2022		
	As reported	Adjustment	As adjusted
Accumulated deficit – Balance January 1, 2022	$ (800,390)	$ (1,242)	$(801,632)
Total shareholders' deficit – Balance January 1, 2022	(22,397)	(1,242)	(23,639)

(x) Coronavirus Pandemic

The Company may be impacted by business interruptions from pandemics and public health emergencies, including those related to the novel coronavirus, known as COVID-19 ("COVID-19"). An outbreak of infectious disease, a pandemic, or a similar public health threat, such as the outbreak of COVID-19, or a fear of any of the foregoing, is highly uncertain and subject to change. As a result, the Company may take actions that alter its business operations as may be required by federal, state or local authorities' guidance and orders or take other steps that the Company determines are in the best interest of its employees, customers, partners, suppliers, shareholders, and stakeholders.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

Any such alterations or modifications could cause substantial interruption to the Company's business and could have a material adverse effect on the Company's business, operating results, financial condition, and the trading price of the Company's common shares. For example, COVID-19 previously resulted in temporary closures of some of the Company's facilities; labor shortages; adverse impacts on the Company's supply chain and distribution channels; and increased network vulnerability and risk of data loss resulting from increased use of remote access and removal of data from the Company's facilities. In addition, a health epidemic, such as COVID-19, could negatively impact capital expenditures and overall economic activity in the impacted regions, which could impact the demand for the Company's products and services.

It is unknown whether and how the Company continue to be impacted if theCOVID-19 pandemic continues to persist or if there are increases in its breadth or in its severity, including as a result of the waiver of regulatory requirements or the implementation of emergency regulations to which the Company is subject.

The Company may incur expenses or delays relating to such events outside of its control, which could have a material adverse impact on its business, operating results, financial condition and the trading price of its common shares.

Note 3 – New Accounting Standards and Accounting Changes

Adoption of New Accounting Policies

In November 2021, the FASB issued Accounting Standards Update ("ASU") No. 2021-10, Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance ("ASU 2021-10"). The update serves to increase transparency in the disclosure and presentation of government assistance, thus, providing comparable and transparent information to investors and other financial statement users to enable them to understand the financial results and prospects for future cash flows. ASU 2021-10 provides some guidance on disclosures including information about the nature of the transaction, accounting policy applied, significant terms and conditions, as well as commitments and contingencies. The amendments in the update are effective for all entities for fiscal years beginning after December 15, 2021, with an earlier application also permitted. The Company adopted the new standard in the first quarter of 2022. The adoption of the standard did not have an impact on the Company's consolidated financial statements.

Recently Issued FASB Accounting Standard Updates

In October 2021, the FASB issued ASU No. 2021-08, Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers. The update provides an improvement to the accounting for acquired revenue contracts with customers in a business combination by addressing differences and inconsistencies related to the recognition of acquired contract liability, and payment terms and their effect on subsequent revenue recognized by the acquirer. The amendment requires that an entity (acquirer) recognize, and measure contract assets and contract liabilities acquired in a business combination in accordance with Topic 606. At the acquisition date, an acquirer should account for the related revenue contracts in accordance with Topic 606 as if it had originated the contracts. For public business entities, the update is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years, while for all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. The FASB provides that the guidance be applied prospectively to business combinations occurring on or after the effective date of the amendments. The Company is in the process of determining the effects adoption will have on its consolidated financial statements.

(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

In February 2020, the FASB issued ASU 2020-02, Financial Instruments-Credit Losses (Topic 326) and Leases (Topic 842) -Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 119 and Update to SEC Section on Effective Date Related to Accounting Standards Update No. 2016-02, Leases (Topic 842), which amends the effective date of the original pronouncement for smaller reporting companies. ASU 2016-13 and its amendments will be effective for the Company for interim and annual periods in fiscal years beginning after December 15, 2022. The Company believes the adoption will modify the way the Company analyzes financial instruments, but it does not anticipate a material impact on results of operations. The Company is in the process of determining the effects adoption will have on its consolidated financial statements.

On August 5, 2020, the FASB issued ASU No. 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, to improve financial reporting associated with accounting for convertible instruments and contracts in an entity's own equity. The amendments in this update are effective for public business entities that meet the definition of a SEC filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. The FASB specified that an entity should adopt the guidance as of the beginning of its annual fiscal year. The Company is currently evaluating the effect of adopting this ASU on its consolidated financial statements.

Note 4 – Acquisitions

Acquisition of MPX New Jersey LLC

On February 1, 2022, the Company's wholly-owned subsidiary INJ, closed on its acquisition of MPX New Jersey LLC ("MPX NJ"), a New Jersey-based entity with a New Jersey medical cannabis permit. The acquisition consisted of INJ exercising its right to convert the principal balance of a loan and accrued interest owed pursuant to its loan agreement of $4.6 million into a 99% equity interest in MPX NJ. In addition, pursuant to an option agreement, INJ exercised its option to acquire the remaining 1% of MPX NJ for nominal consideration. The transaction with MPX NJ is a related party transaction due to the fact that Elizabeth Stavola, a former officer and director of the Company, is a former officer, director and majority owner of MPX NJ.

This transaction was treated as an asset acquisition under U.S. GAAP as substantially all of the fair value of the gross assets acquired were deemed to be associated with the acquired cultivation, production and retail licenses recognized as intangible assets in the table below.

The following table summarizes the allocation of the purchase price to the fair values assigned to the assets acquired and liabilities assumed:

Consideration	
Cash	$ 1
Settlement of pre-existing relationships	19,193
Fair value of consideration	**$19,194**
Assets acquired and liabilities assumed	
Cash	$ 5
Fixed assets	100
Other non-current assets	15
Intangible assets	19,100
Accounts payable	(15)
Accrued and other current liabilities	(11)
Net assets acquired	**$19,194**

The Company has determined that this acquisition is an asset acquisition under ASC 805 Business Combinations whereby the total consideration is allocated to the acquired net tangible and intangible assets based on their estimated fair values as of the closing date. The Company determined the fair value of the net identifiable assets received from the asset acquisition was a more reliable measurement of the assets exchanged as part of this asset acquisition. The Company concluded that the consideration included a nonmonetary component of $14.5 million as noncash consideration exchanged for the net identifiable assets received from MPX NJ. The related tax impact of $4.1 million was netted against this gain. As a result, the Company recorded a $10.4 million gain within other income on the consolidated statements of operations for the year ended December 31, 2022.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

Operating results have been included in consolidated financial statements from the date of the acquisition. Supplemental pro forma financial information has not been presented as the impact was not material to the Company's consolidated financial statements. The Company recorded acquisition costs of $0.3 million within selling, general and administrative expenses on the consolidated statements of operations for the year ended December 31, 2022 (December 31, 2021—$Nil).

Note 5 – Leases

The Company mainly leases office space and cannabis cultivation, processing and retail dispensary space. Leases with an initial term of less than 12 months are not recorded on the consolidated balance sheets. The Company recognizes lease expense for these leases on a straight-line basis over the lease term. Most leases include one or more options to renew, with renewal terms that can extend the lease term from one to five years or more. The Company has determined that it was reasonably certain that the renewal options on the majority of its cannabis cultivation, processing and retail dispensary space would be exercised based on previous history and knowledge, current understanding of future business needs and the level of investment in leasehold improvements, among other considerations. The incremental borrowing rate used in the calculation of the lease liability is based on the rate available to the parent company. The depreciable life of assets and leasehold improvements are limited by the expected lease term. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Certain subsidiaries of the Company rent or sublease certain office space to/from other subsidiaries of the Company. These intercompany subleases are eliminated on consolidation and have lease terms ranging from less than 1 year to 15 years.

The components of lease expense are as follows:

		Year Ended December 31,	
		2022	2021
Operating lease costs[(1)]	Selling, general and administrative expenses	$ 8,474	$ 8,722
Total lease cost		**$ 8,474**	**$ 8,722**

(1) Includes short-term leases and variable lease costs for the year ended December 31, 2022 and 2021.

Supplemental balance sheet information related to leases is as follows:

		As of December 31,	
Balance Sheet Information	**Classification**	**2022**	**2021**
Right-of-use assets, net	Operating leases	$ 28,399	$ 30,429
Lease liabilities			
Current portion of lease liabilities	Operating leases	$ 7,789	$ 7,342
Long-term portion of lease liabilities	Operating leases	28,836	27,814
Total		**$36,625**	**$35,156**

Maturities of lease liabilities for operating leases as of December 31, 2022, were as follows:

	Operating Leases
2023	$ 7,789
2024	7,891
2025	8,007
2026	7,827
2027	7,211
Thereafter	54,834
Total lease payments	$93,559
Less: interest expense	(56,934)
Present value of lease liabilities	$36,625
Weighted-average remaining lease term (years)	11.1
Weighted-average discount rate	20%

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

The Company entered into multiple sublease agreements pursuant to which it serves as lessor to the sublessees. For the year ended December 31, 2022, the Company recorded sublease income of $1.0 million (December 31, 2021—$0.6 million), which is included in the other income line on the consolidated statements of operations. For the year ended December 31, 2022, the Company recorded impairment loss of $Nil (December 31, 2021—$1.8 million) related to subleased facilities. The sublease income to be earned over the sublease term was determined to be less than the costs associated with the primary lease held by the Company. As a result, the Company tested its ROU assets of related subleased facilities for impairment.

As a result of declining performance of GMNV's business during the year ended December 31, 2022, an impairment test was performed for GMNV's long-lived assets as of December 31, 2022 (Refer to Note 2(k)). The Company concluded that the carrying amount of the long-lived assets exceeded the fair value and recorded an impairment loss on ROU assets of $3.0 million for the year ended December 31, 2022.

On November 1, 2022, the Company entered into a non-binding term sheet to sell its Vermont business. Subsequently, on February 6, 2023, the Company through its wholly-owned subsidiary, ICM, entered into the MIPA, pursuant to which the Company agreed to complete the sale of its Vermont business (refer to Note 18). As of December 31, 2022, the Company concluded that the asset group met the criteria for assets held for sale. In accordance with ASC Subtopic 360-10, the Company performed an impairment assessment prior to reclassifying the asset group as held for sale. During the year ended December 31, 2022, the Company recorded an impairment loss of $0.7 million, of which less than $0.1 million was allocated to ROU assets for the year ended December 31, 2022 (December 31, 2021- impairment loss of less than $0.3 million was allocated to ROU asset related to the Company's declining business performance of CBD business).

Note 6 – Inventories

Inventories is comprised of the following items:

	As of December 31, 2022	As of December 31, 2021 (Revised)
Supplies	$ 7,018	$ 6,188
Raw materials	8,903	5,856
Work in process	5,807	9,249
Finished goods	8,072	7,399
Total	**$ 29,800**	**$ 28,692**

Inventories are written down for any obsolescence or when the net realizable value considering future events and conditions is less than the carrying value. For the year ended December 31, 2022, the Company recorded $0.4 million (December 31, 2021 – $0.4 million), related to spoiled inventory in costs and expenses applicable to revenues on the consolidated statements of operations. Please refer to Note 2(w) for further discussion on the prior period revision.

For the year ended December 31, 2022, the Company recorded $Nil (December 31, 2021—$1.9 million) in costs and expenses applicable to revenues on the consolidated statements of operations for inventory reserves.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

Note 7 – Property, Plant and Equipment

	As of December 31, 2022		
	Cost	Accumulated Depreciation	Net Book Value
Buildings	$ 75,359	$ 7,791	$ 67,568
Leasehold improvements	45,852	23,410	22,442
Production equipment	3,139	1,620	1,519
Processing equipment	4,027	2,780	1,247
Sales equipment	1,305	785	520
Office equipment	6,685	4,644	2,041
Land	3,644	—	3,644
Construction in progress	4,339	—	4,339
Total	**$144,350**	**$ 41,030**	**$103,320**

	As of December 31, 2021		
	Cost	Accumulated Depreciation	Net Book Value
Buildings	$ 73,618	$ 6,591	$ 67,027
Leasehold improvements	49,850	19,560	30,290
Production equipment	7,678	3,512	4,166
Processing equipment	4,773	3,022	1,751
Sales equipment	1,344	574	770
Office equipment	3,798	1,754	2,044
Land	4,293	—	4,293
Construction in progress	2,293	—	2,293
Total	**$147,647**	**$ 35,013**	**$112,634**

For the year ended December 31, 2022, the Company recorded a depreciation expense of $12.7 million (December 31, 2021—$13.5 million). During the year ended December 31, 2022, the Company disposed of property, plant and equipment, amounting to $1.0 million (December 31, 2021—$0.2 million), with net consideration of approximately $1.7 million, resulting in a gain of $0.7 million (December 31, 2021—gain of $0.1 million).

The majority of the assets disposed included land and building for the Company's dispensary in Fall River, with a cost of $0.8 million, and the remainder of the assets disposed related to production equipment in New Jersey and vehicles in Florida.

As a result of declining performance of GMNV's business during the year ended December 31, 2022, an impairment test was performed for GMNV's long-lived assets as of December 31, 2022 (Refer to Note 2(j)). The Company concluded that the carrying amount of the long-lived assets exceeded the fair value and recorded an impairment loss on property, plant and equipment of $2.7 million for the year ended December 31, 2022.

On November 1, 2022, the Company entered into a non-binding term sheet to sell its Vermont business. Subsequently, on February 6, 2023, the Company through its wholly-owned subsidiary, ICM, entered into the MIPA, pursuant to which the Company agreed to complete the sale of its Vermont business (refer to Note 18). As of December 31, 2022, the Company concluded that the asset group met the criteria for assets held for sale. In accordance with ASC Subtopic 360-10, the Company performed an impairment assessment prior to reclassifying the asset group as held for sale. During the year ended December 31, 2022, the Company recorded an impairment loss of $0.7 million, of which less than $0.1 million was allocated to property, plant and equipment for the year ended December 31, 2022 (December 31, 2021—impairment loss of less than $0.1 million was allocated to property, plant and equipment related to the Company's CBD business).

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

Note 8 – Intangible Assets

	As of December 31, 2022		
	Cost	Accumulated Amortization	Net Book Value
Licenses	$ 138,174	35,867	$ 102,307
Trademarks	29,100	16,340	12,760
Other	3,460	1,480	1,980
	$ 170,734	$ 53,687	$ 117,047

	As of December 31, 2021		
	Cost	Accumulated Amortization	Net Book Value
Licenses	$ 153,272	$ 33,967	$ 119,305
Trademarks	29,100	12,125	16,975
Other	3,762	980	2,782
	$ 186,134	$ 47,072	$ 139,062

As a result of declining performance of GMNV's business during the year ended December 31, 2022, an impairment test was performed for GMNV's long-lived assets as of December 31, 2022 (Refer to Note 2(l)). The Company concluded that the carrying amount of the long-lived assets exceeded the fair value and recorded an impairment loss on intangible assets of $24.1 million for the year ended December 31, 2022.

On November 1, 2022, the Company entered into a non-binding term sheet to sell its Vermont business. Subsequently, on February 6, 2023, the Company through its wholly-owned subsidiary, ICM, entered into the MIPA, pursuant to which the Company agreed to sell its Vermont business for proceeds of less than the carrying amount of the asset group (refer to Note 18). As of December 31, 2022, the Company concluded that the asset group met the criteria for assets held for sale. In accordance with ASC Subtopic 360-10, the Company performed an impairment assessment prior to reclassifying the asset group as held for sale. During the year ended December 31, 2022, the Company recorded an impairment loss of $0.7 million, of which $0.6 million was allocated to intangible assets for the year ended December 31, 2022 (December 31, 2021—impairment loss of less than $0.1 million was allocated to intangible assets related to the Company's CBD business).

During the year ended December 31, 2022, the Company acquired $19.2 million in intangible assets (December 31, 2021—$0.9 million), which is primarily attributable to the acquisition of the MPX NJ license of $19.1 million. The remainder of the intangible asset additions related to internal-use software. The weighted average remaining amortization period for these additions is 14 years as of December 31, 2022.

Amortization expense for the year ended December 31, 2022 and 2021 was $16.4 million and $15.4 million, respectively.

The estimated amortization expense for each of the years ended December 31, as follows:

2023	$ 14,251
2024	14,251
2025	14,027
2026	13,686
2027	13,686
Thereafter	47,145

Note 9 - Long-Term Debt

As discussed in Note 2(b), the Company consummated the Recapitalization Agreement with the Secured Lenders and the Unsecured Lenders on the Closing Date, at which time the Company issued the Shares as well as the June Secured Debentures and June Unsecured Debentures in the aggregate principal amount of $119.7 million in exchange for the full satisfaction of the Secured Notes, Unsecured Debentures and the accrued interest and accrued fee obligations in the aggregate amount of $238.2 million. Upon the consummation of the Recapitalization Transaction and as of the Closing Date, all existing Defaults under the Secured Notes and Unsecured Debentures were cured. As a result of the consummation of the Recapitalization Agreement, as of the Closing Date, the Secured Lenders and the Unsecured Lenders owned, in the aggregate, 97.25% of the Company's common shares.

Background of Recapitalization Transaction

Since March 31, 2020, the Company had not made interest payments due to the Secured Lenders and the Unsecured Lenders. Through June 24, 2022, the Company had been in default on the Secured Notes and Unsecured Debentures, which, as of June 24, 2022, consisted of $97.5 million and $60.0 million of principal amount and $38.5 million and $11.9 million in accrued interest, respectively. In addition, as a result of the default, the Company had accrued additional fees and interest of $16.2 million in excess of the aforementioned amounts.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

As a result of the March 31, 2020 default, the Board of the Company formed a special committee comprised of the Company's then five independent, non-management directors of the Company (the "Special Committee") to, among other matters, explore and consider strategic alternatives available to the Company in light of the prospective liquidity requirements of the Company, the condition of the capital markets affecting companies in the cannabis industry, and the rapid change in the state of the economy and capital markets generally caused by COVID-19, including, but not limited to:

- renegotiation of existing financing arrangements and other material contracts, including any amendments, waivers, extensions or similar agreements with the Lenders and/or stakeholders of the Company and/or its subsidiaries that the Special Committee determined are in the best interest of the Company and/or its subsidiaries;
- managing available sources of capital, including equity investments or debt financing or refinancing and the terms thereof;
- implementing the operational and financial restructuring of the Company and its subsidiaries and their respective businesses, assets and licensure and other rights; and
- implementing other potential strategic transactions.

The Special Committee engaged Canaccord Genuity Corp. as its financial advisor to assist it in analyzing various strategic alternatives to address its capital structure and liquidity challenges.

On June 22, 2020, the Company received notice from the Collateral Agent, as collateral agent holding security for the benefit of the Secured Lenders, with a demand for repayment (the "Demand Letter") under the Amended and Restated Secured Debenture Purchase Agreement dated October 10, 2019 (the "Secured Notes Purchase Agreement") of the entire principal amount of the Secured Notes, together with interest, fees, costs and other allowable charges that had accrued or might accrue in accordance with the Secured Notes Purchase Agreement and the other Transaction Agreements (as defined in the Secured Notes Purchase Agreement). The Collateral Agent also concurrently provided the Company with a Notice of Intention to Enforce Security under section 244 of the Bankruptcy and Insolvency Act (Canada).

On July 10, 2020, the Company and certain of its subsidiaries entered into the Restructuring Support Agreement with the Secured Lenders and the Consenting Unsecured Lenders to affect the Recapitalization Transaction. Under the Restructuring Support Agreement, certain of the Secured Lenders agreed to provide interim financing in the amount of $14.7 million (the "Tranche Four Secured Notes").

Subject to compliance with the Restructuring Support Agreement, the Secured Lenders and the Consenting Unsecured Lenders agreed to forbear from further exercising any rights or remedies in connection with any Defaults.

Consummation of the Recapitalization Transaction through the Plan of Arrangement was subject to certain conditions, including obtaining the Requisite Approvals. All Requisite Approvals required to consummate the Recapitalization Transaction were satisfied, conditioned, or waived by the Company, Secured Lenders and Consenting Unsecured Lenders, for purposes of closing the Recapitalization Transaction on the Closing Date.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

The following table summarizes long term debt outstanding as of December 31, 2022 and 2021:

	Secured Notes[(1)]	March 2019 Debentures	May 2019 Debentures	June Secured Debentures	Additional Secured Debentures	June Unsecured Debentures	Other	Total
As of January 1, 2022	**$ 134,902**	**$ 33,138**	**$ 24,033**	**$ —**	**—**	**—**	**$ 1,307**	**$ 193,380**
Fair value of financial liabilities issued	2,066	—	—	88,806	26,067	15,708	—	132,647
Accretion of balance	559	730	367	1,467	—	467	—	3,590
Debt extinguishment	(123,675)	(33,868)	(24,400)	—	—	—	—	(181,943)
Repayment	—	—	—	—	—	—	(362)	(362)
As of December 31, 2022	**$ 13,852**	**$ —**	**$ —**	**$ 90,273**	**$ 26,067**	**$ 16,175**	**$ 945**	**$ 147,312**

	Secured Notes[(1)]	May 2019 Debentures	March 2019 Debentures	Other	Total
As of January 1, 2021	**$ 115,350**	**$ 23,240**	**$ 31,665**	**$ 920**	**$ 171,175**
Fair value of financial liabilities issued	13,056	—	—	160	13,216
Accretion of balance	6,496	793	1,473	295	9,057
Repayment	—	—	—	(68)	(68)
As of December 31, 2021	**$ 134,902**	**$ 24,033**	**$ 33,138**	**$ 1,307**	**$ 193,380**

(1) This amount includes the Company's obligation to pay an exit fee of $10.0 million that accrued interest at a rate of13% per annum (the "Exit Fee") under the Secured Notes.

Accounting for the Recapitalization Transaction

On the Closing Date, the Company completed its previously announced Recapitalization Transaction pursuant to the terms of the Restructuring Support Agreement. The Recapitalization Transaction closed pursuant to the terms of the Plan of Arrangement under the Business Corporations Act (British Columbia) approved by the Court.

In accordance with debt extinguishment accounting rules outlined in ASC470-50, *Debt-Modifications and Extinguishments*, ("ASC 470"), the Company recorded a loss on extinguishment of debt of $316.6 million for the year ended December 31, 2022 in the consolidated statements of operations related to the restructuring of debt. In connection with the extinguishment in the aggregate amount of $238.2 million, the Company issued new debt in the principal amount of $119.7 million, which was recorded at fair value of $99.4 million and 6,072,580 common shares in the amount of $455.4 million issued which were valued based upon the closing price of the Company's common shares on the Closing Date.

On the Closing Date, the Company fully amortized the debt discount costs related to the old debt that were extinguished. As of December 31, 2022, the total and unamortized debt discount costs related to new debt were $20.3 million and $18.4 million, respectively (December 31, 2021—$30.3 million and $3.2 million, respectively). As of December 31, 2022, the total and unamortized debt issuance costs related to debts that were not part of the Recapitalization Transaction were $0.7 million and less than $0.1 million, respectively (December 31, 2021—$7.7 million and $2.5 million, respectively).

As of December 31, 2022, the total interest accrued on both current and long-term debt was $Nil (December 31, 2021—$45.6 million). As of the Closing Date, the total accrued interest of $56.3 million was extinguished and settled in full as part of the Recapitalization Transaction.

(a) Secured Notes

Tranche One

On May 14, 2018, the Company issued the Tranche One Secured Notes with a maturity date ofMay 14, 2021, along with corresponding warrants to purchase in aggregate, up to 6,670,372 common shares of the Company at an exercise price of $3.60 per share ("Equity Warrants"). Concurrent with the issuance of the Tranche One Secured Notes, $10.0 million comprising of 3,891,051 units ("Units") of the Company were issued. Each Unit was comprised of one Class A common share of the Company at $2.57 per share and a warrant to purchase one Class A share of the Company at an exercise price of $3.86 per share ("Warrants"). All the Equity Warrants and Warrants issued were expired on May 14, 2021, and the principal amount of such notes along with accrued interest at the default rate of 16.0% per annum were extinguished on June 24, 2022 in connection with the closing of the Recapitalization Transaction.

Due to the conversion price of $3.08 being less than the Company's closing stock price on the date of issuance, this gave rise to a beneficial conversion feature valued at $7.9 million. The Company recognized this beneficial conversion feature as a debt discount and additional paid in capital on the Closing Date. The discount to the Tranche One Secured Notes was being fully amortized to accretion expense by the original maturity date of May 14, 2021. For the year ended December 31, 2022, the amount of amortization recorded in accretion expense was $Nil (December 31, 2021—$1.0 million), on the consolidated statements of operations. The terms also contained a financial covenant requiring the Company's asset value to be 1.75 times the total net debt at each quarter end and required that the Company maintain a minimum cash balance of $1.0 million while the Tranche One Secured Notes remained outstanding (the "market value test").

The debt host contract was accounted for using the guidance applicable to non-convertible debt under ASC 470 and was assigned relative fair value of $26.2 million at issuance. It was recorded on the consolidated balance sheets, net of issuance costs of $2.3 million. For the year ended December 31, 2022, interest expense and accretion expense of $3.2 million and $Nil, respectively, were recorded on the consolidated statements of operations (December 31, 2021—$6.7 million and $2.4 million, respectively).

As of June 24, 2022, immediately prior to the consummation of the Recapitalization Transaction, the Company was not in compliance with the market value test, and the Company did not make interest payments, and therefore was in breach of a financial covenant with respect to the Tranche One Secured Notes, Tranche Two Secured Notes (as defined herein), and Tranche Three Secured Notes (as defined herein). Furthermore, the Company was in default on its Secured Notes as of March 31, 2020, and as a result, an event of default occurred on April 4, 2020. This default was triggered on the Company's long-term debt, which, as of June 24, 2022, consisted of $97.5 million and $60.0 million of principal amount and $38.5 million and $11.9 million in accrued interest on the Secured Notes and the Unsecured Debentures, respectively. As a result of the default and through June 24, 2022, the Company classified the Tranche One Secured Notes, Tranche Two Secured Notes, and Tranche Three Secured Notes as current liabilities on the consolidated balance sheets. As of June 24, 2022, this debt, related accrued interest and fees were fully satisfied pursuant to the terms of the Restructuring Support Agreement and no default existed with respect to the Tranche One Secured Notes, Tranche Two Secured Notes, and Tranche Three Secured Notes.

For the year ended December 31, 2022, interest expense of $0.8 million (December 31, 2021 – $1.7 million), was recorded in relation to the Exit Fee on the consolidated statements of operations. As of June 24, 2022, the aggregate Exit Fee obligation of $16.2 million was satisfied in connection with the closing of the Recapitalization Transaction (December 31, 2021—$15.4 million) related to the Exit Fee, which was comprised of an aggregate of $10.3 million in principal amount and $5.9 million in accrued interest (December 31, 2021 – an aggregate principal amount of $10.3 million and $5.1 million in accrued interest).

Tranche Two

On September 30, 2019, the Company issued an additional $20.0 million of secured notes (the "Tranche Two Secured Notes"). The Tranche Two Secured Notes accrued interest at 13.0% per annum and had an original maturity date of May 14, 2021 and were convertible into 10,582,011 shares of the Company at $1.89 per share. The Tranche Two Secured Notes were issued with warrants to purchase, in aggregate, up to 5,076,142 shares of the Company at an exercise price of $1.97 per share ("Tranche Two Equity Warrants"). The Tranche Two Equity Warrants expired on May 14, 2021, and the principal amount of such notes along with accrued interest at the default rate of 16.0% per annum were extinguished on June 24, 2022 in connection with the closing of the Recapitalization Transaction.

The debt host contract was accounted for using the guidance applicable to non-convertible debt under ASC 470 and was assigned relative fair value of $17.3 million at issuance. It was recorded on the consolidated balance sheets, net of issuance costs of $0.3 million. For the year ended December 31, 2022, interest expense and accretion expense of $1.6 million and $Nil, respectively, were recorded on the consolidated statements of operations (December 31, 2021—$3.2 million and $0.7 million, respectively).

All terms, restrictions and financial covenants applicable to the Tranche One Secured Notes were also applicable to the Tranche Two Secured Notes. As of June 24, 2022, this debt, related accrued interest and fees were fully satisfied pursuant to the terms of the Restructuring Support Agreement and no default existed with respect to the Tranche Two Secured Notes.

Tranche Three

On December 20, 2019, the Company issued an additional $36.2 million of secured notes (the "Tranche Three Secured Notes"). The Tranche Three Secured Notes accrued interest at 13.0% per annum and had an original maturity date of May 14, 2021, and were convertible into 22,448,415 shares of the Company at a conversion price of $1.61 per share. The Tranche Three Secured Notes were issued with warrants to purchase, in aggregate, up to 10,792,508 shares of the Company at an exercise price of $1.67 per share ("Tranche Three Equity Warrants"). The Tranche Three Equity Warrants expired on May 14, 2021, and the principal amount of such notes along with accrued interest at the default rate of 16.0% per annum were extinguished on June 24, 2022 in connection with the closing of the Recapitalization Transaction.

The debt host contract is being accounted for using the guidance applicable to non-convertible debt under ASC 470 and was assigned a relative fair value of $30.9 million at issuance. It was recorded on the consolidated balance sheets, net of issuance costs of $0.6 million. For the year ended December 31, 2022, interest expense and accretion expense of $2.8 million and $Nil, respectively, were recorded on the consolidated statements of operations (December 31, 2021—$5.9 million and $1.6 million, respectively).

All terms, restrictions and financial covenants applicable to the Tranche One Secured Notes and Tranche Two Secured Notes were also applicable to Tranche Three Secured Notes. As of June 24, 2022, this debt, related accrued interest and fees were fully satisfied pursuant to the terms of the Restructuring Support Agreement and no default existed with respect to the Tranche Two Secured Notes.

Tranche Four

On July 13, 2020, as part of the Recapitalization Transaction, the Company issued an additional $14.7 million as Tranche Four Secured Notes which accrued interest at 8.0% per annum and had an original maturity date of July 13, 2025. On June 24, 2022, the terms of the Tranche Four Secured Notes were materially modified pursuant to the Restructuring Support Agreement and as such, were considered to be extinguished in connection with the closing of the Recapitalization Transaction.

The debt host, classified as a liability using the guidance of ASC 470, and was recognized in the amount of $12.5 million, net of issuance costs. The debt instrument was recorded on the consolidated balance sheets, net of issuance costs of $2.2 million.

Interest was to be paid in kind by adding the interest accrued on the principal amount on the last day of each fiscal quarter, and such amount thereafter became part of the principal amount and accrued interest.

For the year ended December 31, 2022, interest expense of $0.7 million (December 31, 2021 – $1.3 million) and accretion expense of $0.2 million (December 31, 2021—$0.4 million) were recorded on the consolidated statements of operations.

iAnthus New Jersey, LLC Senior Secured Bridge Notes

On February 2, 2021, INJ issued the Senior Secured Bridge Notes which originally matured on the earlier of (i) February 2, 2023, (ii) the date on which the Company closed a Qualified Financing (as defined below) and (iii) such earlier date that the principal amount may become due and payable pursuant to the terms of such notes. The net proceeds of the Senior Secured Bridge Notes were placed in escrow, and the availability of the funds are subject to drawdown requests that must be approved by Gotham Green Admin 2, LLC, as collateral agent. The Senior Secured Bridge Notes accrued interest at a rate of 14.0% per annum (increasing to 25.0% per annum in the event of default and decreasing to 8.0% per annum upon the completion of the Company's Recapitalization Transaction). "Qualified Financing" means a transaction or series of related transactions resulting in net proceeds to the Company of not less than $10 million from the subscription of the Company's securities, including, but not limited to, a private placement or rights offering.

The debt host, classified as a liability using the guidance of ASC 470, and was recognized in the amount of $10.3 million, net of issuance costs. The debt instrument was recorded on the consolidated balance sheets, net of issuance costs of $0.7 million.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

Interest is to be paid in kind by adding the interest accrued on the principal amount on the last day of each fiscal quarter (the first such interest payment date being March 31, 2021) and such amount thereafter becoming part of the principal amount and will accrue interest. Interest paid in kind will be payable on the date that all of the principal amount is due and payable.

For the year ended December 31, 2022, interest expense of $1.4 million (December 31, 2021—$1.5 million), and accretion expense of $0.4 million (December 31, 2021—$0.3 million), were recorded on the consolidated statements of operations. As of December 31, 2022, the Company held $Nil (December 31, 2021 – $3.3 million) of restricted cash in escrow from the Senior Secured Bridge Notes. Refer to Note 2(f) for further discussion

The Senior Secured Bridge Notes are secured by a security interest in certain assets of INJ. The Company provided a guarantee in respect of all of the obligations of INJ under the Senior Secured Bridge Notes, and the Company is in compliance with the terms of the Senior Secured Bridge Notes as of December 31, 2022.

On February 2, 2023, the Company and INJ entered into an amendment (the "Amendment") to the Senior Secured Bridge Notes with all of the holders of the Senior Secured Bridge Notes. Pursuant to the Amendment, the maturity date of the Senior Secured Bridge Notes was extended until February 2, 2024, the interest on the principal amount outstanding was increased to a rate of 12.0% per annum, and an amendment fee equal to 10.0% of the principal amount outstanding of the Senior Secured Bridge Notes as of February 2, 2023 or $1.4 million in the aggregate, was added to such notes such that it will become due and payable on the maturity date. The Senior Secured Bridge Notes are classified as non-current liabilities on the consolidated balance sheets.

Certain of the Secured Lenders, including Gotham Green Fund II, L.P., Gotham Green Fund II (Q), L.P., Oasis Investments II Master Fund LTD., Senvest Global (KY), LP, Senvest Master Fund, LP and Hadron Healthcare and Consumer Special Opportunities Master Fund, held greater than 5.0% of the outstanding common shares of the Company upon closing of the Recapitalization Transaction. As principal owners of the Company, these lenders are considered to be related parties.

(b) March 2019 Debentures

On March 18, 2019, the Company completed a private placement of $35.0 million of unsecured convertible debentures (the "March 2019 Debentures") and corresponding warrants to purchase 2,177,291 common shares of the Company at an exercise price of $6.43 per share ("March 2019 Equity Warrants"). All of the March 2019 Equity Warrants expired on March 15, 2022. The March 2019 Debentures accrued interest at a rate of 8.0%, per annum, payable quarterly on the last business day of each fiscal quarter, beginning on March 31, 2019. Interest was to be paid in cash, shares, or a combination of cash and shares, up to 50.0%, at the Company's election. The March 2019 Debentures would have matured on March 15, 2023; however, on June 24, 2022, the outstanding principal of March 2019 Debentures along with related accrued interest and applicable fees were extinguished as part of the closing of the Recapitalization Transaction.

The debt host contract was accounted for using the guidance applicable to non-convertible debt under ASC 470 and was assigned relative fair value of $30.3 million at issuance. It was recorded on the consolidated balance sheets, net of issuance costs of $1.2 million. For the year ended December 31, 2022, interest expense and accretion expense of $1.4 million and $0.7 million, respectively, were recorded on the consolidated statements of operations (December 31, 2021—$2.8 million and $1.5 million, respectively).

The terms of the March 2019 Debentures imposed certain restrictions on the Company's operating and financing activities, including certain restrictions on the Company's ability to incur certain additional indebtedness at the subsidiary level. As of June 24, 2022, immediately prior to the consummation of the Recapitalization Transaction, the Company was in default on its interest obligations to the holders of the Secured Notes. This default triggered a cross-default on its interest obligations to the holders of the March 2019 Debentures. As a result of this default, the Company classified the debt as a current liability on the consolidated balance sheets as the March 2019 Debentures were due on demand. As of June 24, 2022, this debt, related accrued interest and fees were fully satisfied pursuant to the terms of the Restructuring Support Agreement and no default existed with respect to the March 2019 Debentures.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

(c) May 2019 Debentures

On May 2, 2019, the Company completed a private placement of $25.0 million of unsecured convertible debentures (the "May 2019 Debentures") and corresponding warrants to purchase 1,555,207 common shares of the Company at an exercise price of $6.43 per common share ("May 2019 Equity Warrants"). All of the May 2019 Equity Warrants expired on March 15, 2022. The May 2019 Debentures accrued interest at a rate of 8.0%, per annum, payable quarterly on the last business day of each fiscal quarter, beginning on June 30, 2019. Interest was to be paid in cash, shares, or a combination of cash and shares, up to 50.0%, at the Company's election. The May 2019 Debentures would have matured on March 15, 2023; however, on June 24, 2022, the outstanding principal of the May 2019 Debentures along with related accrued interest and applicable fees were extinguished as part of the closing of the Recapitalization Transaction.

The debt host contract was accounted for using the guidance applicable to non-convertible debt under ASC 470 and was assigned relative fair value of $22.3 million at issuance. It was recorded on the consolidated balance sheets, net of issuance costs of $0.4 million. For the year ended December 31, 2022, interest expense and accretion expense of $1.0 million and $0.4 million, respectively, were recorded on the consolidated statements of operations (December 31, 2021—$2.0 million and $0.8 million, respectively).

The terms of the May 2019 Debentures imposed certain restrictions on the Company's operating and financing activities, including certain restrictions on the Company's ability to incur certain additional indebtedness at the subsidiary level. As of June 24, 2022, immediately prior to the consummation of the Recapitalization Transaction, the Company was in default on its interest obligations to the holders of the Secured Notes. This default triggered a cross-default on its interest obligations to the holders of the March 2019 Debentures. Further, as a result of this default, the Company classified the debt as a current liability on the consolidated balance sheets as the May 2019 Debentures were due on demand. As of June 24, 2022, this debt, related accrued interest and fees were fully satisfied pursuant to the terms of the Restructuring Support Agreement and no default existed with respect to the May 2019 Debentures.

(d) June Secured Debentures

On June 24, 2022 in connection with the closing of Recapitalization Transaction, the Company entered into the Secured DPA, pursuant to which the Company issued the June Secured Debentures in the aggregate principal amount of $99.7 million which accrue interest at the rate of 8.0% per annum, increasing to 11.0% per annum upon the occurrence of an Event of Default (as defined in the Secured DPA), with a maturity date of June 24, 2027. The June Secured Debentures may be prepaid on a pro rata basis from and after the third anniversary of the Closing Date of the Recapitalization Transaction upon prior written notice to the New Secured Lenders without premium or penalty.

The debt host, classified as a liability using the guidance of ASC 470, and was recognized at the fair value of $84.5 million.

Interest is to be paid in kind by adding the interest accrued on the principal amount on the last day of each fiscal quarter (the first such interest payment date being June 30, 2022) and such amount thereafter becoming part of the principal amount, which will accrue additional interest. Interest paid in kind will be payable on the date when all of the principal amount is due and payable.

For the year ended December 31, 2022, interest expense and accretion expense of $4.3 million and $1.5 million, respectively, were recorded on the consolidated statements of operations (December 31, 2021—$Nil and $Nil, respectively).

The terms of the Secured DPA impose certain restrictions on the Company's operating and financing activities, including certain restrictions on the Company's ability to: incur certain additional indebtedness; grant liens; make certain dividends and other payment restrictions affecting the Company's subsidiaries; issue shares or convertible securities; and sell certain assets. The June Secured Debentures are secured by all current and future assets of the Company and ICM. The terms of the Secured DPAs do not have any financial covenants or market value test and ICM is in compliance with the terms of the June Secured Debentures as of December 31, 2022. The June Secured Debentures are classified as long-term liabilities on the consolidated balance sheets.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

Certain of the New Secured Lenders that hold the June Secured Debentures, including Gotham Green Fund 1, L.P., Gotham Green Fund 1 (Q), L.P., Gotham Green Fund II, L.P., Gotham Green Fund II (Q), Gotham Green Credit Partners SPV 1, L.P., Gotham Green Partners SPV V, L.P., L.P. and Parallax Master Fund, LP, collectively held greater than 5.0% of the outstanding common shares of the Company upon the closing of the Recapitalization Transaction. As principal owners of the Company, certain of the New Secured Lenders are considered to be related parties.

(e) June Unsecured Debentures

On June 24, 2022 in connection with the closing of the Recapitalization Transaction, the Company entered into the Unsecured DPA, pursuant to which the Company issued June Unsecured Debentures in the aggregate principal amount of $20.0 million which accrue interest at the rate of8.0% per annum, increasing to 11.0% per annum upon the occurrence of an Event of Default (as defined in the Unsecured DPA), with a maturity date ofJune 24, 2027. The June Unsecured Debentures may be prepaid on a pro rata basis from and after the third anniversary of the Closing Date of the Recapitalization Transaction upon prior written notice to the Unsecured Lender without premium or penalty.

The debt host, classified as a liability using the guidance of ASC470, and was recognized at the fair value of $14.9 million.

Interest is to be paid in kind by adding the interest accrued on the principal amount on the last day of each fiscal quarter (the first such interest payment date being June 30, 2022) and such amount thereafter becoming part of the principal amount, which will accrue additional interest. Interest paid in kind will be payable on the date when all of the principal amount is due and payable.

For the year ended December 31, 2022, interest expense and accretion expense of $0.8 million and $0.5 million, respectively, were recorded on the consolidated statements of operations (December 31, 2021—$Nil and $Nil, respectively).

The terms of the Unsecured DPA impose certain restrictions on the Company's operating and financing activities, including certain restrictions on the Company's ability to: incur certain additional indebtedness; grant liens; make certain dividends and other payment restrictions affecting the Company's subsidiaries; issue shares or convertible securities; and sell certain assets. The terms of the Unsecured DPA do not have any financial covenants or market value test, and ICM is in compliance with the terms of the June Unsecured Debentures as of December 31, 2022. The June Unsecured Debentures are classified as long-term liabilities on the consolidated balance sheets.

Certain of the Secured Lenders and Consenting Unsecured Lenders, including Gotham Green Fund 1, L.P., Gotham Green Fund 1 (Q), L.P., Gotham Green Fund II, L.P., Gotham Green Fund II (Q), L.P., Gotham Green Credit Partners SPV 1, L.P., Gotham Green Partners SPV V, L.P., Oasis Investments II Master Fund LTD., Senvest Global (KY), LP, Senvest Master Fund, LP, Parallax Master Fund, L.P. and Hadron Healthcare and Consumer Special Opportunities Master Fund, held greater than 5.0% of the outstanding common shares of the Company upon the closing of the Recapitalization Transaction. As principal owners of the Company, certain of the Consenting Unsecured Lenders are considered to be related parties.

(f) Additional Secured Debentures

Pursuant to the terms of the Secured DPA, ICM issued the Additional Secured Debentures on June 24, 2022 in the aggregate principal amount of $25.0 million which accrue interest at the rate of8.0% per annum increasing to 11.0% per annum upon the occurrence of an Event of Default (as defined in the Secured DPA), with a maturity date of June 24, 2027.

The debt host, classified as a liability using the guidance of ASC470, and was recognized in the amount of $25.0 million.

Interest is to be paid in kind by adding the interest accrued on the principal amount on the last day of each fiscal quarter (the first such interest payment date being June 30, 2022) and such amount thereafter becoming part of the principal amount, which will accrue additional interest. Interest paid in kind will be payable on the date when all of the principal amount is due and payable.

For the year ended December 31, 2022, interest expense of $1.0 million, was recorded on the consolidated statements of operations (December 31, 2021 - $Nil).

The terms of the Secured DPA impose certain restrictions on the Company's operating and financing activities, including certain restrictions on the Company's ability to: incur certain additional indebtedness; grant liens; make certain dividends and other payment restrictions affecting the Company's subsidiaries; issue shares or convertible securities; and sell certain assets. The Additional Secured Debentures are secured by all current and future assets of the Company and ICM. The terms of the Secured DPAs do not have any financial covenants or market value test, and ICM is in compliance with the terms of the Additional Secured Debentures as of December 31, 2022. The Additional Secured Debentures are classified as long-term liabilities on the consolidated balance sheets.

(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

Certain of the New Secured Lenders, including Gotham Green Fund 1, L.P., Gotham Green Fund 1 (Q), L.P., Gotham Green Fund II, L.P., Gotham Green Fund II (Q), L.P., Oasis Investments II Master Fund LTD., Senvest Global (KY), LP, Senvest Master Fund, LP and Hadron Healthcare and Consumer Special Opportunities Master Fund, held greater than 5.0% of the outstanding common shares of the Company upon the closing of the Recapitalization Transaction. As principal owners of the Company, certain of the New Secured Lenders are considered to be related parties.

Note 10 - Share Capital

(a) Share Capital

Authorized: Unlimited common shares. The shares have no par value.

The Company's common shares are voting and dividend-paying. The following is a summary of the common share issuances for the year ended December 31, 2022:

- On June 24, 2022, an aggregate of 6,072,580 common shares were issued to the Secured Lenders and Unsecured Lenders in connection with the closing of the Recapitalization Transaction.
- On August 18, 2022, 408 common shares were issued to settle shares to be issued with regards to purchase options assumed by the Company on February 5, 2019 as part of MPX Acquisition.
- On October 3, 2022, the Company issued common shares totaling 219,323 for vested restricted stock units, out of which the Company withheld 61,013 shares to satisfy employees' tax obligations of $1.8 million.
- On December 23, 2022, the Company issued common shares totaling 273 for vested restricted stock units.

There were no common share issuances for the year ended December 31, 2021.

(b) Warrants

The following table summarizes certain information in respect of the Company's warrants:

	Year Ended December 31, 2022		Year Ended December 31, 2021	
	Units	Weighted Average Exercise Price (C$)	Units	Weighted Average Exercise Price (C$)
Warrants outstanding, beginning	22,640	$ 3.56	49,236	$ 4.06
Granted	—	—	—	—
Forfeited	(17,955)	2.52	—	—
Expired	(4,685)	7.53	(26,596)	3.84
Warrants outstanding, ending	—	$ —	22,640	$ 3.56

As of December 31, 2022 and 2021, warrants classified as derivative liabilities on the consolidated balance sheets were revalued with the following inputs:

	December 31, 2022	December 31, 2021
Risk-free interest rate	—	0.9%
Expected dividend yield	—	0.0%
Expected volatility	—	93.7 - 297.1%
Expected life	—	0.9 years

The Company uses an expected volatility based on its historical trading data.

As per the terms of the Restructuring Support Agreement, all outstanding warrants were forfeited as of the Closing Date of the Recapitalization Transaction, and warrants classified as derivative liabilities were revalued to $Nil as of December 31, 2022 (December 31, 2021 – less than $0.1 million). As a result of the revaluation, the Company recognized a gain of less than $0.1 million for the year ended December 31, 2022 (December 31, 2021 – gain of $0.2 million), on the consolidated statements of operations.

Full share equivalent warrants outstanding and exercisable are as follows:

	Year Ended December 31, 2022		Year Ended December 31, 2021	
Year of expiration	Number Outstanding	Weighted Average Exercise Price (C$)	Number Outstanding	Weighted Average Exercise Price (C$)
2022	—	—	20,855	3.47
2023	—	—	1,785	4.57
Warrants outstanding	—	$ —	22,640	$ 3.56

(c) Potentially Dilutive Securities

The following table summarizes potentially dilutive securities, and the resulting common share equivalents outstanding as of December 31, 2022 and 2021:

	2022	2021
Common share options	7,877	10,504
Restricted stock units	173,230	—
Warrants	—	22,640
Secured notes	—	46,458
Debentures	—	10,135
MPX dilutive instruments(1)	—	408
Total	**181,107**	**90,145**

(1) Prior to the MPX Acquisition, MPX had instruments outstanding that were potentially dilutive and as a result of the MPX Acquisition, the Company assumed certain of these instruments which were settled on August 18, 2022 by issuing 408 common shares.

(d) Stock Options

All existing options (the "Original Awards") to purchase common shares of the Company issued to officers were cancelled and extinguished for no consideration. On September 19, 2022, the Board awarded stock options to two officers of the Company as replacement awards for the Original Awards under the Company's Amended and Restated Omnibus Incentive Plan (the "Omnibus Incentive Plan") dated October 15, 2018. The Original Awards were cancelled on June 24, 2022, as part of the Recapitalization Transaction, and the new stock options were granted on September 19, 2022 (the "Replacement Stock Options"). As the fair value of the Original Awards was $Nil on the modification date, the incremental compensation cost recognized is equal to the fair value of the Replacement Stock Options on the modification date, which shall be recognized over the remaining requisite service period. As of December 31, 2022, unrecognized compensation costs related to the Original Awards was $ Nil (December 31, 2021—$1.9 million). The Replacement Stock Options granted vest over three-years, commencing on July 10, 2020. Share-based compensation expense of $0.2 million was recognized immediately on the consolidated statements of operations for Replacement Stock Options that were vested as of the grant date, and the remaining unrecognized compensation cost of less than $0.1 million will be amortized on a straight-line basis over the remaining weighted average requisite service period of 0.51 years.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

The related share-based compensation expense for the year ended December 31, 2022 was $2.1 million (December 31, 2021 - $6.5 million), and is presented in selling, general and administrative expenses on the consolidated statements of operations.

The following table summarizes certain information in respect of option activity under the Company's stock option plan:

	Year Ended December 31, 2022			Year Ended December 31, 2021		
	Units	Weighted Average Exercise Price (1)	Weighted Average Contractual Life	Units	Weighted Average Exercise Price (1)	Weighted Average Contractual Life
Options outstanding, beginning	10,504	$ 3.65	—	11,510	$ 3.59	—
Granted	7,877	0.05	—	—	—	—
Exercised	—	—	—	—	—	—
Cancellations	(7,111)	3.47	—	—	—	—
Forfeitures	(3,152)	4.32	—	—	—	—
Expirations	(241)	0.89	—	(1,006)	2.92	—
Options outstanding, ending (2)	**7,877**	**$ 0.05**	**7.78**	**10,504**	**$ 3.65**	**6.24**

(1) The Original Awards are denominated in Canadian dollars. Exercise prices have been converted to U.S. dollar equivalents using an exchange rate of CAD$1.3544 to $1.00 as of December 31, 2022 and December 31, 2021.
(2) As of December 31, 2022, 6,564 of the stock options outstanding were exercisable (December 31, 2021—9,922).

During the year ended December 31, 2022, 7,877 Replacement Stock Options were granted with an exercise price of $0.05 per common share. No stock options were granted during the year ended December 31, 2021.

No stock options were exercised during the years ended December 31, 2022 and 2021.

The aggregate intrinsic value of outstanding options as of December 31, 2022 and 2021, was $Nil and $Nil, respectively.

The Company used the Black-Scholes option pricing model to estimate the fair value of the options at the grant date using the following ranges of assumptions:

	December 31, 2022	December 31, 2021
Risk-free interest rate	3.8%	—
Expected dividend yield	0.0%	—
Expected volatility	128.6%	—
Expected life	4.3 years	—

The expected volatility was estimated by using the historical volatility of the Company. The expected life in years represents the period of time that options granted are expected to be outstanding. In accordance with Staff Accounting Bulletin ("SAB") Topic 14, the Company uses the simplified method for estimating the expected term. The Company believes the use of the simplified method is appropriate due to the employee stock options qualifying as "plain-vanilla" options under the criteria established by SAB Topic 14. The risk-free rate was based on the United States bond yield rate at the time of grant of the award. Expected annual rate of dividends is based on the fact that the Company has never paid cash dividends and does not expect to pay any cash dividends in the foreseeable future.

(e) Restricted Stock Units

On December 31, 2021, the Board approved a long-term incentive program, pursuant to which, on July 26, 2022, the Company issued certain employees of the Company and its subsidiaries, RSUs, under the Company's Omnibus Incentive Plan. RSUs represent a right to receive a single common share that is both non-transferable and forfeitable until certain conditions are satisfied. The allocation of RSUs was contingent on the closing of the Recapitalization Transaction and was subject to approval of the Canadian Securities Exchange and the Board.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

On December 31, 2021 and June 23, 2022, the Board approved the allocation of363,921 and 26,881 RSUs, respectively, to Board members, directors, officers, and key employees of the Company. The RSUs granted by the Company vest upon the satisfaction of both a service-based condition of three years and a liquidity condition, the latter of which was not satisfied until the closing of the Recapitalization Transaction. As the liquidity condition was not satisfied until the closing of the Recapitalization Transaction, in prior periods, the Company had not recorded any expense related to the grant of RSUs. Share-based compensation expense in relation to the RSUs is recognized using the graded vesting method, in which compensation costs for each vesting tranche is recognized ratably from the service inception date to the vesting date for that tranche. The fair value of the RSUs is determined using the Company's closing stock price on the grant date.

Certain RSU recipients were also holders of the Original Awards, which were cancelled upon closing the Recapitalization Transaction. The RSUs granted to these employees have been treated as replacement awards (the "Replacement RSUs") and are accounted for as a modification to the Original Awards. As the fair value of the Original Awards was $ Nil on the modification dates, the incremental compensation cost recognized is equal to the fair value of the Replacement RSUs on the modification date, which shall be recognized over the remaining requisite service period.

On September 19, 2022, the Board awarded 27,108 RSUs to four Board members. Of the RSUs awarded, 7,843 were fully vested on issuance and 19,265 shall vest over a one-year period. The fair value of RSUs is determined on the grant date and is amortized over the vesting period on a straight-line basis.

On November 23, 2022, the Board awarded 7,317 RSUs to an officer of the Company, which shall vest over a three-year period. The fair value of RSUs is determined on the grant date and is amortized over the vesting period on a straight-line basis.

On December 8, 2022, the Board awarded 27,930 RSUs to Julius Kalcevich, a former officer of the Company, for compensation owed under section 4(g) of Mr. Kalcevich's employment agreement (refer to Note 15). The fair value of the RSUs was determined on the grant date and the award was fully vested upon issuance.

On December 23, 2022, the Board awarded 21,400 RSUs to key employees of the Company, which shall vest over a three-year period. The fair value of RSUs is determined on the grant date and is amortized over the vesting period on a straight-line basis.

During the year ended December 31, 2022, the Company recognized $28.3 million of share-based compensation expense associated with the RSUs (December 31, 2021 - $Nil). Share-based compensation expense is presented in selling, general and administrative expenses on the consolidated statements of operations.

As of December 31, 2022, there was approximately $4.6 million of total unrecognized compensation cost related to unvested RSUs which is expected to be recognized over a weighted-average service period of 1.28 years. The Company withheld 61,013 RSUs with a fair value of $1.8 million for the Company's employees' minimum withholding taxes at vesting of such awards during the year ended December 31, 2022.

The following table summarizes certain information in respect of RSU activity during the period:

	Year Ended December 31, 2022		Year Ended December 31, 2021	
	Units	Weighted Average Grant Price [1]	Units	Weighted Average Grant Price
Unvested balance, beginning	—	$ —	—	$ —
Granted	474,557	0.08	—	—
Vested	(263,155)	0.09	—	—
Forfeited	(81,731)	0.10	—	—
Unvested balance, ending	**129,671**	**$ 0.07**	**—**	**$ —**

(1) Weighted average grant price is presented in U.S. dollars for the year ended December 31, 2022.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

Note 11 - Segment Information

Management, including the Company's Interim Chief Executive Officer and Interim Chief Operating Officer who are considered the Company's Chief Operating Decision Maker ("CODM") (as defined in the FASB ASC Topic 280 Segment Reporting), assesses segment performance based on segment revenues and gross margins. Selling, general and administrative expenses, amortization of intangibles, write-downs and other charges, interest income, interest expense, accretion expense and tax (provision) recovery are not allocated to the segments.

The Company divides its reportable operating segments primarily by geographic region. The Company has two reportable operating segments: Eastern Region and Western Region. The Eastern Region includes the Company's operations in Florida, Maryland, Massachusetts, New York, New Jersey, and Vermont. The Western Region includes the Company's operations in Arizona and Nevada as well as its assets and investments in Colorado. The two geographic regions are looked at separately by the CODM and Company's management as the operations within those regions are in different stages of development. The operations comprising the Western Region are more established than those in the Eastern Region. Most of the Company's financial and operational growth is being driven by the Eastern Region. Both the Eastern Region and the Western Region segments generate revenues from the sale of cannabis products through retail dispensaries as well as wholesale supply agreements.

The "Other" category in the disclosure below comprises items not separately identifiable to the two reportable operating segments and are not part of the measures used by the Company when assessing the reportable operating segments' results. It also includes items related to operating segments of the Company that did not meet the quantitative thresholds under ASC 280-10-50-12 to be considered reportable operating segments, nor did they meet the aggregation criteria under ASC 280-10-50-11 to qualify for aggregation with one of the two reportable operating segments of the Company. All inter-segment profits are eliminated upon consolidation.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

Reportable Segments

	Year Ended December 31, 2022	Year Ended December 31, 2021 (Revised)
Revenues		
Eastern Region	$ 96,478	$ 128,979
Western Region	65,644	72,424
Other[(1)]	1,091	1,615
Total	**$ 163,213**	**$ 203,018**
Gross profit (loss)		
Eastern Region	$ 52,108	$ 83,108
Western Region	21,910	27,877
Other	414	(1,457)
Total	**$ 74,432**	**$ 109,528**
Depreciation and amortization		
Eastern Region	$ 16,743	$ 16,885
Western Region	11,820	11,235
Other	532	807
Total	**$ 29,095**	**$ 28,927**
(Recoveries), write-downs and other charges, net		
Eastern Region	$ (620)	$ 95
Western Region	—	—
Other	(226)	(48)
Total	**$ (846)**	**$ 47**
Impairment loss		
Eastern Region	$ 695	$ 127
Western Region	29,856	—
Other	—	7,240
Total	**$ 30,551**	**$ 7,367**
Net (loss) income		
Eastern Region	$ (4,981)	$ 7,886
Western Region	(38,019)	(2,792)
Other	(406,391)	(82,584)
Total	**$(449,391)**	**$ (77,490)**
Purchase of property, plant and equipment		
Eastern Region	$ 5,954	$ 17,384
Western Region	982	2,024
Other	3	32
Total	**$ 6,939**	**$ 19,440**
Purchase of intangible assets		
Eastern Region	$ —	$ 100
Western Region	—	—
Other	113	859
Total	**$ 113**	**$ 959**

(1) Revenues from segments below the quantitative thresholds are attributable to an operating segment of the Company that includes revenue from the sale of CBD products throughout the United States. This segment has never met any of the quantitative thresholds for determining reportable segments nor does it meet the qualitative criteria for aggregation with the Company's reportable segments.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

	As of December 31,	
	2022	2021 (Revised)
Assets		
Eastern Region	$226,458	$222,350
Western Region	60,896	106,485
Other	16,113	16,154
Total	**$303,467**	**$344,989**

Major Customers

Major customers are defined as customers that each individually accounted for greater than10% of the Company's annual revenues. For the years ended December 31, 2022 and 2021, no sales were made to any one customer that represented in excess of 10% of the Company's total revenues.

Geographic Information

As of December 31, 2022 and 2021, substantially all of the Company's assets were located in the United States and all of the Company's revenues were earned in the United States.

Disaggregated Revenues

The Company disaggregates revenues into categories that depict how the nature, amount, timing and uncertainty of the revenues and cashflows are affected by economic factors. For the years ended December 31, 2022 and 2021, the Company disaggregated its revenues as follows:

	Year Ended December 31,	
	2022	2021
Revenue		
iAnthus branded products	$ 86,626	$117,617
Third party branded products	66,959	64,267
Wholesale/bulk/other products	9,628	21,134
Total	**$163,213**	**$203,018**

Note 12 - Financial Instruments

Fair values have been determined for measurement and/or disclosure purposes based on the following methods. The Company characterizes inputs used in determining fair value using a hierarchy that prioritizes inputs depending on the degree to which they are observable. The levels of the fair value hierarchy are as follows:

- Level 1 – fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

The carrying values of cash, receivables, payables and accrued liabilities approximate their fair values because of the short-term nature of these financial instruments. Balances due to and due from related parties have no terms and are payable on demand, thus are also considered current and short-term in nature, hence carrying value approximates fair value.

The component of the Company's long-term debt attributed to the host liability is recorded at amortized cost. Investments in debt instruments that are held to maturity are also recorded at amortized cost.

The following table summarizes the fair value hierarchy for the Company's financial assets and financial liabilities that are re-measured at their fair values periodically:

	As of December 31, 2022				As of December 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Financial assets								
Long term investments—other [1]	$ 130	$ —	$ —	**$130**	$ 568	$ —	$ —	**$568**
Financial liabilities								
Derivative liabilities	$ —	$ —	$ —	**$—**	$ —	$ —	$ 16	**$ 16**

(1) Long-term investments – other are included in the investments balance on the consolidated balance sheets.

There were no transfers between Level 1, Level 2, and Level 3 within the fair value hierarchy during the year ended December 31, 2022 and 2021.

The Company's other investment as of December 31, 2022 and 2021, is considered to be a Level 1 instrument because it is comprised of shares of a public company, and there is an active market for the shares and observable market data, or inputs are now available.

All Level 1 investments are comprised of equity investments which are re-measured at fair value using quoted market prices.

The following table summarizes the changes in Level 1 financial assets:

	Financial Assets
Balance as of December 31, 2020	**512**
Revaluations on Level 1 instruments	56
Balance as of December 31, 2021	**$ 568**
Revaluations on Level 1 instruments	(438)
Balance as of December 31, 2022	**$ 130**

The derivative liabilities related to the convertible debt instruments and freestanding warrants are recorded at fair value estimated using the Black-Scholes option pricing model and is therefore considered to be a Level 3 measurement. On June 24, 2022, all warrants were forfeited upon the consummation of the Recapitalization Transaction.

The following table summarizes the changes in Level 3 financial liabilities:

	Derivative Liabilities
Balance as of December 31, 2020	**245**
Revaluations on Level 3 instruments	(229)
Balance as of December 31, 2021	**$ 16**
Revaluations on Level 3 instruments	(16)
Balance as of December 31, 2022	**$ —**

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

The Company's financial and non-financial assets such as prepayments, other assets including, property, plant and equipment, and intangibles, are measured at fair value when there is an indicator of impairment and are recorded at fair value only when an impairment charge is recognized.

The following table summarizes the Company's long-term debt instruments (Note 9) at their carrying value and fair value:

	As of December 31, 2022		As of December 31, 2021	
	Carrying Value	Fair Value	Carrying Value	Fair Value
June Unsecured Debentures	$ 16,175	$ 14,787	$ 57,171	$ 64,596
June Secured Debentures	116,340	103,612	134,902	176,487
Secured Notes	13,852	13,694	—	—
Other	945	819	1,307	1,021
Total	**$147,312**	**$132,912**	**$193,380**	**$242,104**

Note 13 - Commitments

In the ordinary course of business, the Company enters into contractual agreements with third parties that includenon-cancelable payment obligations, for which it is liable in future periods. These arrangements can include terms binding the Company to minimum payments and/or penalties if it terminates the agreement for any reason other than an event of default as described in the agreement.

The following table summarizes the Company's contractual obligations and commitments as of December 31, 2022:

	2023	2024	2025	2026	2027
Operating leases	$7,789	$ 7,891	$8,007	$7,827	$ 7,211
Service contracts	1,670	—	—	—	—
Long-term debt	51	14,046	66	75	216,384
Total	**$9,510**	**$21,937**	**$8,073**	**$7,902**	**$223,595**

The Company's commitments include employees, consultants and advisors, as well as leases and construction contracts for offices, dispensaries and cultivation facilities in the U.S. and Canada. The Company has certain operating leases with renewal options extending the initial lease term for an additional one to 15 years.

Note 14 - Contingencies and Guarantees

The Company is involved in lawsuits, claims, and proceedings, including those identified below, which arise in the ordinary course of business. In accordance with the FASB ASC Topic 450 Contingencies, the Company will make a provision for a liability when it is both probable that a loss has been incurred and the amount of the loss can be reasonably estimated. The Company believes it has adequate provisions for any such matters. The Company reviews these provisions in conjunction with any related provisions on assets related to the claims at least quarterly and adjusts these provisions to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other pertinent information related to the case. Should developments in any of these matters outlined below cause a change in the Company's determination as to an unfavorable outcome and result in the need to recognize a material provision, or, should any of these matters result in a final adverse judgment or be settled for significant amounts, they could have a material adverse effect on the Company's results of operations, cash flows, and financial position in the period or periods in which such a change in determination, settlement or judgment occurs.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

The Company expenses legal costs relating to its lawsuits, claims and proceedings as incurred. 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. Based on consultation with counsel, management and legal counsel is of the opinion that the outcome of these uncertainties will not have a material adverse effect on the Company's financial position.

The events that allegedly gave rise to the following claims occurred prior to the Company's closing of the MPX Acquisition in February 2019 are as follows:

- There was a claim by a former consultant against the Company, with respect to alleged consulting fees owed by MPX to the consultant, claiming the right to receive approximately $0.5 million and punitive damages. During the year ended December 31, 2021, the former consultant updated the claim to set forth the total damages claimed, which are $5.4 million, and provided supplemental disclosures which specify total damages sought, which are $167.0 million. On December 13, 2021, the Company and former consultant reached a full and final settlement of $1.5 million. As of December 31, 2022, $1.5 million was paid in full;
- There is a claim from two former noteholders against the Company and MPX Bioceutical ULC ("MPX ULC"), with respect to alleged payments of $1.3 million made by the noteholders to MPX, claiming the right to receive $115.0 million; and
- There is a claim against the Company, MPX ULC and MPX, with respect to a prior acquisition made by MPX in relation to a subsidiary that was not acquired by the Company as part of the MPX Acquisition, claiming $3.0 million in connection with alleged contractual obligations of MPX.

In addition, the Company is currently reviewing the following matters with legal counsel and has not yet determined the range of potential losses:

In October 2018, Craig Roberts and Beverly Roberts (the "Roberts") and the Gary W. Roberts Irrevocable Trust Agreement I, Gary W. Roberts Irrevocable Trust Agreement II, and Gary W. Roberts Irrevocable Trust Agreement III (the "Roberts Trust" and together with the Roberts, the "Roberts Plaintiffs") filed two separate but similar declaratory judgment actions in the Circuit Court of Palm Beach County, Florida against GrowHealthy Holdings, LLC ("GrowHealthy Holdings") and the Company in connection with the acquisition of substantially all of GrowHealthy Holdings' assets by the Company in early 2018. The Roberts Plaintiffs sought a declaration that the Company must deliver certain share certificates to the Roberts without requiring them to deliver a signed Shareholder Representative Agreement to GrowHealthy Holdings, which delivery was a condition precedent to receiving the Company share certificates and required by the acquisition agreements between GrowHealthy Holdings and the Company. In January 2019, the Circuit Court of Palm Beach County denied the Roberts Plaintiffs' motion for injunctive relief, and the Roberts Plaintiffs signed and delivered the Shareholder Representative Agreement forms to GrowHealthy Holdings while reserving their rights to continue challenging the validity and enforceability of the Shareholder Representative Agreement. The Roberts Plaintiffs thereafter amended their complaints to seek monetary damages in the aggregate amount of $22.0 million plus treble damages. On May 21, 2019, the court issued an interlocutory order directing the Company to deliver the share certificates to the Roberts Plaintiffs, which the Company delivered on June 17, 2019, in accordance with the court's order. On December 19, 2019, the Company appealed the court's order directing delivery of the share certificates to the Florida Fourth District Court of Appeal, which appeal was denied per curiam. On October 21, 2019, the Roberts Plaintiffs were granted leave by the Circuit Court of Palm Beach County to amend their complaints in order to add purported claims for civil theft and punitive damages, and on November 22, 2019, the Company moved to dismiss the Roberts Plaintiffs' amended complaints. On May 1, 2020, the Circuit Court of Palm Beach County heard arguments on the motions to dismiss, and on June 11, 2020, the court issued a written order granting in part and denying in part the Company's motion to dismiss. Specifically, the order denied the Company's motion to dismiss for lack of jurisdiction and improper venue; however, the court granted the Company's motion to dismiss the Roberts Plaintiffs' claims for specific performance, conversion and civil theft without prejudice. With respect to the claim for conversion and civil theft, the Circuit Court of Palm Beach County provided the Roberts Plaintiffs with leave to amend their respective complaints. On July 10, 2020, the Roberts Plaintiffs filed further amended complaints in each action against the Company including claims for conversion, breach of contract and civil theft including damages in the aggregate amount of $22.0 million plus treble damages, and on August 13, 2020, the Company filed a consolidated motion to dismiss such amended complaints. On October 26, 2020, Circuit Court of Palm Beach County heard argument on the consolidated motion to dismiss, denied the motion and entered an order to that effect on October 28, 2020. Answers on both actions were filed on November 20, 2020 and the parties commenced discovery. On September 9, 2021, the Roberts Plaintiffs filed a motion to consolidate the two separate actions, which motion was granted on October 14, 2021. On August 6, 2020, the Roberts filed a lawsuit against Randy Maslow, the Company's now former Interim Chief Executive Officer, President, and director, in his individual capacity (the "Maslow Complaint"), alleging a single count of purported conversion. The Maslow Complaint was not served on Randy Maslow until November 25, 2021, and the allegations in the Maslow Complaint are substantially similar to those allegations for purported conversion in the complaints filed against the Company. On March 28, 2022, the court consolidated the action filed against Randy Maslow with the Roberts Plaintiffs' action for discovery and trial purposes. As a result, the court vacated the matter's initial trial date of May 9, 2022 and the case has not been reset for trial yet. On April 22, 2022, the parties attended a court required mediation, which was unsuccessful. On May 6, 2022, the Circuit Court of Palm Beach County granted Randy Maslow's motion to dismiss the Maslow Complaint. On May 19, 2022, the Roberts filed a second amended complaint against Mr. Maslow ("Amended Maslow Complaint"). On June 3, 2022, Mr. Maslow filed a motion to dismiss the Amended Maslow Complaint, which was denied on September 9, 2022. Discovery is ongoing, and no date has been set for trial.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

On May 19, 2020, Hi-Med LLC ("Hi-Med"), an equity holder and one of the Unsecured Lenders who held an Unsecured Debenture in the principal amount of $5.0 million prior to the closing of the Recapitalization Transaction, filed a complaint (the "Hi-Med Complaint") with the United States District Court for the Southern District of New York (the "SDNY") against the Company and certain of the Company's current and former directors and officers and other defendants (the "Hi-Med Lawsuit"). Hi-Med is seeking damages of an unspecified amount and the full principal amount of the Unsecured Debenture against the Company, for among other things, alleged breaches of provisions of the Unsecured Debenture and the related Debenture Purchase Agreement as well as alleged violations of Federal securities laws, including Sections 10(b), 10b-5 and 20(a) of the Securities Exchange Act of 1934, as amended and common law fraud relating to alleged false and misleading statements regarding certain proceeds from the issuance of long-term debt that were held in escrow to make interest payments in the event of a default thereof. On July 9, 2020, the court issued an order consolidating the class action matter with the shareholder class action referenced below. On July 23, 2020, Hi-Med and the defendants filed a stipulation and proposed scheduling and coordination order to coordinate the pleadings for the consolidated actions. On September 4, 2020, Hi-Med filed an amended complaint (the "Hi-Med Amended Complaint"). On October 14, 2020, the SDNY issued a stipulation and scheduling and coordination order, which required that the defendants answer, move, or otherwise respond to the Hi-Med Amended Complaint no later than November 20, 2020. On November 20, 2020, the Company and certain of its current officers and directors filed a Motion to Dismiss the Hi-Med Amended Complaint. On January 8, 2021, Hi-Med filed an opposition to the Motion to Dismiss. The Company and certain of its current officers and directors' reply were filed on February 22, 2021. In a memorandum of opinion dated August 30, 2021, the SDNY granted the Company's and certain of its officers and directors' Motion to Dismiss the Hi-Med Amended Complaint. The SDNY indicated that Hi-Med may move for leave to file a proposed second amended complaint by September 30, 2021. On September 30, 2021, Hi-Med filed a motion for leave to amend the Hi-Med Amended Complaint. On October 28, 2021, the parties filed a Stipulation and Proposed Scheduling Order Regarding Hi-Med's Motion for Leave to File a second Amended Complaint (the "Stipulation"). On November 3, 2021, the SDNYso-ordered the Stipulation and Hi-Med's second Amended Complaint was deemed filed as of this date. On December 20, 2021, the Company and its current named officers and directors filed a Motion to Dismiss Hi-Med's second Amended Complaint. Hi-Med's opposition to the Company's and its current named officers and directors' Motion to Dismiss was filed on February 3, 2022. The Company and its current named officers and directors' reply to Hi-Med's opposition was filed on March 21, 2022. On September 28, 2022, the SDNY issued an opinion granting in part and denying in part the Motion to Dismiss Hi-Med's second Amended Complaint (the "Opinion"). On October 12, 2022, the parties filed a joint stipulation and proposed scheduling order (the "Joint Stipulation and Proposed Scheduling Order"), in which certain defendants ("Moving Defendants") indicated that they may be filing a motion seeking clarification of certain aspects of the court's Opinion. The parties proposed that the Company's answer would be due on November 21, 2022 and that the parties would submit a proposed discovery plan by December 12, 2022. The Joint Stipulation and Proposed Scheduling Order was ordered by the court on October 19, 2022. Defendants' motions seeking clarification were filed on October 24, 2022 and are currently pending before the court. On January 17, 2023, the parties submitted the matter, together with the Class Action matter referenced below, to mediation. On January 31, 2023, the parties advised the SDNY that the defendants and Hi-Med remain in ongoing settlement discussions. Accordingly, the parties requested that the SDNY suspend all further deadlines and proceedings in the Hi-Med action until February 21, 2023, to allow for continued settlement discussions between the parties, which the SDNY granted on February 7, 2023. On February 16, 2023, the parties advised the SDNY that the parties remained in ongoing settlement discussions and requested that SDNY extend the parties' deadlines further until March 21, 2023, which the SDNY granted on February 21, 2023. On March 16, 2023, the Parties requested another extension of the parties' deadlines until April 11, 2023 to continue settlement discussions, which the SDNY granted on March 17, 2023. On June 29, 2020, Hi-Med filed a claim in the Court, which mirrors the Hi-Med Complaint, but the Company has not been served. Refer to Note 9 for further discussion on the Unsecured Debentures.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

On April 20, 2020, Donald Finch, a shareholder of the Company, filed a putative class action lawsuit against the Company (the "Class Action Lawsuit") and is seeking damages for an unspecified amount against the Company, its former Chief Executive Officer, its current Chief Financial Officer and others with the SDNY for alleged false and misleading statements regarding certain proceeds from the issuance of long-term debt, that were held in escrow to make interest payments in the event of default on such long-term debt. On May 5, 2020, Peter Cedeno, another shareholder of the Company, filed a putative class action against the same defendants alleging substantially similar causes of action. On June 16, 2020, four separate motions for consolidation, appointment as lead plaintiff, and approval of lead counsel were filed by Jose Antonio Silva, Robert and Sherri Newblatt, Robert Dankner, and Melvin Fussell. On July 9, 2020, the SDNY issued an order consolidating the Class Action Lawsuit and the Hi-Med Complaint referenced above and appointed Jose Antonio Silva as lead plaintiff ("Lead Plaintiff"). On July 23, 2020, the Lead Plaintiff and defendants filed a stipulation and proposed scheduling and coordination order to coordinate the pleadings for the consolidated actions. On September 4, 2020, the Lead Plaintiff filed a consolidated amended class action lawsuit against the Company (the "Amended Complaint"). On November 20, 2020, the Company and its Chief Financial Officer filed a Motion to Dismiss the Amended Complaint. On January 8, 2021, the Lead Plaintiff filed an opposition to the Motion to Dismiss the Amended Complaint. The Company and its Chief Financial Officer's reply to the opposition was filed on February 22, 2021. In a memorandum of opinion dated August 30, 2021, the SDNY granted the Company's and its Chief Financial Officer's Motion to Dismiss the Amended Complaint. The SDNY indicated that the Lead Plaintiff may move for leave to file a proposed second amended complaint by September 30, 2021. On October 1, 2021, the Lead Plaintiff filed a motion for leave to amend the Amended Complaint. The Lead Plaintiff's Motion for Leave to File a second Amended Complaint was included as part of the Stipulation identified above. On October 28, 2021, the parties filed the Stipulation regarding the Lead Plaintiff's Motion for Leave to File a second Amended Complaint. On November 3, 2021, the SDNY so-ordered the Stipulation and the Lead Plaintiff's second Amended Complaint was deemed filed as of this date. On December 20, 2021, the Company and its Chief Financial Officer filed a Motion to Dismiss the Lead Plaintiff's second Amended Complaint. The Lead Plaintiff's opposition to the Company's and its Chief Financial Officer's Motion to Dismiss was filed on February 3, 2022. The Company's and its Chief Financial Officer's reply to the Lead Plaintiff's opposition was filed on March 21, 2022. On September 28, 2022, the SDNY issued an opinion granting in part and denying in part the Motion to Dismiss the Lead Plaintiff's second Amended Complaint. On October 12, 2022, the parties filed the Joint Stipulation and Proposed Scheduling Order, which the SDNY so ordered on October 19, 2022, ordering that that the Defendants' answers are due on November 21, 2022; that the parties shall submit a proposed discovery plan by December 12, 2022; and that discovery in the Finch and Cedeno actions shall be coordinated with discovery in the Hi-Med action referenced above, to the extent the two actions involved overlapping issues. The parties agreed to submit the matter, together with the Hi-Med action referenced above, to mediation, which took place on January 17, 2023. On January 31, 2023, the parties advised the SDNY that the Defendants and Lead Plaintiff reached a settlement in principle and anticipate filing a motion for preliminary approval of the settlement by March 9, 2023. Accordingly, the parties requested that the SDNY suspend all further deadlines and proceedings in the Class Action Lawsuit pending submission of the motion for preliminary approval. On March 7, 2023, the parties advised the SDNY that the parties required a short extension of the motion for preliminary approval of the settlement and such motion would be filed by March 21, 2023. On March 21, 2023, the parties executed a settlement agreement and filed the motion for preliminary approval of the settlement with the SDNY, which remains pending.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

On July 23, 2020, Blue Sky Realty Corporation filed a putative class action against the Company and the Company's former Chief Financial Officer in the Ontario Superior Court of Justice ("OSCJ") in Toronto, Ontario. On September 27, 2021, the OSCJ granted leave for the plaintiff to amend its claim ("Amended Claim"). In the Amended Claim, the plaintiff seeks to certify the proposed class action on behalf of two classes. "Class A" consists of all persons, other than any executive level employee of the Company and their immediate families ("Excluded Persons"), who acquired the Company's common shares in the secondary market on or after April 12, 2019, and who held some or all of those securities until after the close of trading on April 5, 2020. "Class B" consists of all persons, other than Excluded Persons, who acquired the Company's common shares prior to April 12, 2019, and who held some or all of those securities until after the close of trading on April 5, 2020. Among other things, the plaintiff alleges statutory and common law misrepresentation, and seeks an unspecified amount of damages together with interest and costs. The plaintiff also alleges common law oppression for releasing certain statements allegedly containing misrepresentations inducing Class B members to hold the Company's securities beyond April 5, 2020. No certification motion has been scheduled. The Amended Claim also changed the named plaintiff from Blue Sky Realty Corporation to Timothy Kwong. The hearing date for the motion for leave to proceed with a secondary market claim under the Securities Act (Ontario) has been vacated. On March 3, 2023, the Company made a settlement offer to the plaintiff to fully resolve the Amended Claim. The plaintiff has not yet responded to the settlement offer.

On August 19, 2021, Arvin Saloum ("Saloum"), a former consultant of the Company, filed a Demand for Arbitration with the American Arbitration Association (the "Arbitration Action") against The Healing Center Wellness Center, Inc. ("THCWC") and iAnthus Arizona, LLC ("iA AZ"), claiming a breach of a Consulting and Joint Venture Agreement (the "JV Agreement") for unpaid consulting fees allegedly owed to Saloum under the JV Agreement. Saloum is claiming damages between $1.0 million and $10.0 million. On September 7, 2021, THCWC and iA AZ filed Objections and Answering Statement to Saloum's Demand for Arbitration. On November 18, 2021, THCWC and iA AZ filed a Complaint for Declaratory Judgment ("Declaratory Judgment Complaint") with the Arizona Superior Court, Maricopa County ("Arizona Superior Court"), seeking declarations that: (i) the JV Agreement is void, against public policy and terminable at will; (ii) the JV Agreement is unenforceable and not binding; and (iii) the JV Agreement only applies to sales under the Arizona Medical Marijuana Act. On January 21, 2022, Saloum filed an Answer with Counterclaims in response to the Declaratory Judgment Complaint. The Declaratory Judgment Complaint remains pending before the Arizona Superior Court. The Arbitration Action is stayed, pending resolution of the Declaratory Judgment Complaint. The parties are currently engaging in discovery. The parties have agreed to participate in mediation to try and resolve the dispute, which is expected to occur in April or May of 2023.

On May 23, 2022, CGX Life Sciences, Inc. ("CGX"), a wholly-owned subsidiary of the Company, filed a demand for arbitration (the "CGX Arbitration") with the American Arbitration Association ("AAA") against LMS Wellness, Benefit LLC ("LMS") and it s 100% owner, William Huber ("Huber" and together with LMS, the "Defendants") for various breaches under the option agreements entered into between CGX and LMS, on the one hand, and CGX and Huber on the other (collectively, the "Option Agreements"). Specifically, CGX is seeking: (i) an order finding the Defendants in breach of the Option Agreements and directing specific performance by the Defendants of their obligations under the Option Agreements to complete the sale and transfer of LMS to CGX; (ii) an order either tolling or extending the closing date under the Option Agreements; (ii) an order requiring Huber to restore LMS' bank account of all sums withdrawn for the payment of contracts entered into in breach of the Option Agreements; and (iii) an order prohibiting Huber from withdrawing any further funds from LMS' bank account. On June 8, 2022, the Defendants filed an Answering Statement, denying the allegations raised by CGX and sent a notice to CGX, purporting to terminate the Option Agreements. In addition, on June 8, 2022, LMS filed a demand for arbitration (the "S8 Arbitration") with the AAA against S8 Management, LLC ("S8"), alleging that S8 breached the Amended and Restated Management Services Agreement (the "MSA") entered into between LMS and S8 on March 12, 2018. On June 24, 2022, the Defendants filed Motion to Consolidate the CGX Arbitration and S8 Arbitration. On July 5, 2022, CGX filed an opposition to the Defendants' Motion to Consolidate and a cross-Motion to Stay the S8 Arbitration to allow the CGX Arbitration to proceed first. On July 26, 2022, the parties attended a preliminary conference with the arbitrator, at which conference the arbitrator preliminarily granted the Defendants' Motion to Consolidate and denied CGX's cross-Motion to Stay the S8 Arbitration. On October 7, 2022, CGX filed a dispositive motion for specific performance of Defendants' obligations to complete the sale of LMS to CGX (claims (i) and (ii), above), which Defendants opposed. On October 31, 2022, the arbitrator granted CGX's dispositive motion and ordered Defendants to complete the sale of LMS to CGX. The remaining claims asserted in the CGX Arbitration (claims (iii) and (iv), above) and the S8 Arbitration remain pending. On November 30, 2022, Defendants filed a Petition to Vacate Arbitration Award. CGX's filed its response on January 30, 2023, and subsequently the Defendants filed a Request for Hearing on February 3, 2023. Both the Petition to Vacate Arbitration Award and request for a hearing remain pending before the Circuit Court for Baltimore County. CGX continues to prosecute its other two claims concerning Defendants' use of LMS' funds, and S8 continues to deny and defend against LMS' contentions that S8 breached the MSA.

On June 20, 2022, Michael Weisser ("Weisser") commenced a petition (the "Petition") in the Supreme Court of British Columbia (the "Court") against the Company and the Company's former board of directors. In the Petition, Weisser sought: (i) a declaration that the affairs of Company and its then-board of directors were being conducted or have been conducted in a manner that is oppressive and/or prejudicial to Weisser; (ii) an order that Weisser is entitled to call and hold the Company's annual general meeting for 2020 ("2020 AGM") on or before June 30, 2022 or a date set by the Court as soon as reasonably possible; (iii) alternatively, an order that the Company hold the 2020 AGM on or before June 30, 2022 or a date set by the Court as soon as reasonably possible; (iv) an order that the Company set the record date for the 2020 AGM; (v) an order that Weisser is entitled to appoint a chair for the 2020 AGM, or that the Court appoint an independent chair for the 2020 AGM; and (vi) an order that the Company be required to provide Weisser with an opportunity to review all votes and proxies submitted in respect of the 2020 AGM, no later than 24 hours in advance of the 2020 AGM. On June 22, 2022, Weisser was granted a short leave by the Court which permitted a return date for the Petition of June 28, 2022. On June 24 2022, the Company closed the Recapitalization Transaction and the Company noticed the 2020 AGM, the annual general meeting for 2021 ("2021 AGM") and the annual general meeting for 2022 (the "2022 AGM" and together with the 2020 AGM and 2021 AGM, the "AGMs"). As a result, Weisser's Petition was rendered moot. On November 14, 2022, Weisser filed an application (the "Application") in the Petition proceeding, seeking to add the Secured Lenders and Consenting Unsecured Lenders as respondents to the Petition and to amend the Petition. Specifically, Weisser is seeking to amend the Petition to request: (i) a declaration that the affairs of the Secured Lenders, Consenting Unsecured Lenders, the Company and the powers of its then-directors have been and are continuing to be conducted in a manner that is oppressive and/or prejudicial to Weisser; (ii) an order setting aside and/or unwinding the closing of the Recapitalization Transaction; (iii) an order setting aside the results of the Company's annual general meeting held August 11, 2022; (iv) an order that the 2020 AGM be held by December 31, 2022; (v) an order that the Company set the record date for the 2020 AGM to hold the meeting by December 31, 2022; (vi) an order that for purposes of voting at the 2020 AGM, the shareholdings of the Company be those shareholdings that existed prior to the closing of the Recapitalization Transaction; (vii) an order that Weisser is entitled to appoint a chair for the 2020 AGM, or that the Court appoint an independent chair for the 2020 AGM; (viii) an order that the Company be required to provide Weisser with an opportunity to review all votes and proxies submitted in respect of the 2020 AGM, no later than 24 hours in advance of the 2020 AGM; and (ix) an order that pending the 2020 AGM, the Company's current board of directors be replaced by an interim slate of directors to be nominated by Weisser. The Company intends to file a response to the Application, seeking that the Petition be dismissed as a collateral attack on the order of Justice Gomery dated October 5, 2020, approving the Recapitalization Transaction, and declaring as binding all of the releases set forth in Article 5 of the Plan of Arrangement.

On October 29, 2021, the Florida Department of Health, Office of Medical Marijuana Use (the "OMMU") approved the requested (the "Variance Request") change of ownership and control of McCrory's resulting from the closing of the Recapitalization Transaction. On November 19, 2021, Weisser filed a petition (as amended, the "Florida Petition") with the OMMU, challenging the OMMU's approval of the Variance Request. On February 3, 2022, the Florida Division of Administrative Hearings ("DOAH") issued a Recommended Order of Dismissal, recommending that the OMMU enter a final order dismissing the Florida Petition for lack of standing. On May 4, 2022, the OMMU issued a final agency order (the “Final Order”), which accepted the recommendation of the DOAH and dismissed the Florida Petition for lack of standing. Weisser appealed the Final Order with the District Court of Appeal in the First District of Florida and filed his initial brief on November 9, 2022, which seeks a reversal of the Final Order. On February 3, 2023, the Company filed a Motion to Dismiss the appeal, which remains pending before the court.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

Note 15 - Related Party Transactions

	As of December 31,	
	2022	2021
Financial Statement Line Item		
Long-term debt, net of issuance costs [(1)]	142,295	—
Accrued and other current liabilities	7,620	—
Other long-term assets	—	4,552
Total	**$149,915**	**$4,552**

(1) Upon the closing of the Recapitalization Transaction, certain of the Company's lenders held greater than 5.0% of the voting interests in the Company and therefore are classified as related parties. Refer to Note 9 for further discussion.

As part of the MPX Acquisition, the Company acquired a related party receivable of $0.7 million due from a company owned by a former director and officer of the Company, Elizabeth Stavola. The related party receivable was converted into a loan facility of up to $10.0 million, which accrued interest at the rate of 16.0%, compounded annually. Interest was due upon maturity of the loan on December 31, 2021. During the year ended December 31, 2021, the Company exercised its right to convert the principal balance of the loan and accrued interest into a 99.0% equity interest in MPX NJ and exercised its option to acquire the remaining 1.0% of MPX NJ for nominal consideration, upon receipt of approval from the New Jersey Cannabis Regulatory Commission (the "CRC"). On January 7, 2022, the CRC approved the Company's acquisition of 100% of the equity interests in MPX NJ. On February 1, 2022, the Company closed the acquisition of MPX NJ, resulting in the Company owning 100% of the equity interests of MPX NJ. The Company recorded acquisition costs of $0.3 million within selling, general and administrative expenses on the consolidated statements of operations for the year ended December 31, 2022 (December 31, 2021—$Nil). As of December 31, 2022, the balance of such facility was $Nil (December 31, 2021 – $4.6 million), which included accrued interest of $Nil (December 31, 2021—$0.9 million). The related party balances are presented in other long-term assets on the consolidated balance sheets.

Effective as of May 6, 2022 (the "May Resignation Date"), Randy Maslow, the Company's then Interim Chief Executive Officer and President and a member of the Board of Directors, resigned from his executive positions, including all positions with the Company's subsidiaries and its affiliates, and from the Company's Board of Directors and its committees. In connection with the resignation, Mr. Maslow and the Company executed a separation agreement (the "May Separation Agreement"), pursuant to which, Mr. Maslow will receive certain compensation and benefits valued to substantially equal the value of entitlements he would have received under Section 4(g) of his employment agreement. Specifically, Mr. Maslow received total cash compensation in the amount of approximately $12.2 million (the "May Separation Payment"), of which $5.1 million was paid out on May 6, 2022 (made up, in part, of a portion of severance payment of approximately $4.8 million, and unpaid 2021 bonus of $0.3 million). The remainder of the May Separation Payment was to be paid out in equal installments of approximately $0.9 million per month over the next eight months following the May Resignation Date, which was accelerated upon the closing of the Recapitalization Transaction. The total outstanding balance of the May Separation Payment owed to Mr. Maslow was paid in full as of July 15, 2022. Under the terms of the May Separation Agreement, the Company will continue to pay the monthly premium for Mr. Maslow's continued participation in the Company's health and dental insurance benefits pursuant to COBRA for one year from the May Resignation Date. Mr. Maslow's compensation and benefits under the May Separation Agreement included the extension of exercise period of options to acquire the Company's common shares, until the earlier of (i) five years from the May Resignation Date; (ii) the original expiration dates of the applicable option; or (iii) the closing of the Recapitalization Transaction. In accordance with the terms of the May Separation Agreement, Mr. Maslow's options to acquire the Company's common shares expired as of the Closing Date of the Recapitalization Transaction. Mr. Maslow serve d in a consulting role for six months following the May Resignation Date at a base compensation of $25 per month. As of November 6, 2022, the term of Mr. Maslow's consultancy terminated and the Company did not elect to extend the term. During the year ended December 31, 2022, the Company paid $0.1 million, to Mr. Maslow in relation to consulting services provided (December 31, 2021 - $Nil).

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

Effective as of November 14, 2022, Julius Kalcevich, the Company's then Chief Financial Officer, resigned from his executive positions, including all positions with the Company's subsidiaries and its affiliates. In connection with the resignation, on December 7, 2022 (the "Execution Date"), Mr. Kalcevich and the Company executed a separation agreement (the "December Separation Agreement"), pursuant to which, Mr. Kalcevich will receive certain compensation and benefits valued to substantially equal the value of entitlements he would have received under Section 4(g) of his employment agreement. Specifically, Mr. Kalcevich will receive total cash compensation in the amount of approximately $1.1 million, which is payable in equal installments of approximately $0.1 million per month over a period of 10 months following the Execution Date. As of December 31, 2022, the total payments made in relation to the December Separation Agreement were $0.2 million. Per the December Separation Agreement, Mr. Kalcevich was also issued a total of 27,930 RSUs with a fair value of $1.0 million, which became fully vested upon issuance. As of the Execution Date, all unvested outstanding stock options and RSUs previously issued to Mr. Kalcevich were accelerated and all related unrecognized compensation cost was recognized in the consolidated statements of operations.

Pursuant to the terms of the Secured DPA, the Company has a related party payable of $6.3 million due to certain of the New Secured Lenders, including Gotham Green Fund 1, L.P., Gotham Green Fund 1 (Q), L.P., Gotham Green Fund II, L.P., Gotham Green Fund II (Q), L.P., Oasis Investment Master II Fund LTD., Senvest Global (KY), LP, Senvest Master Fund, LP and Hadron Healthcare and Consumer Special Opportunities Master Fund, for certain out-of-pocket costs, charges, fees, taxes and other expenses incurred by the New Secured Lenders in connection with the closing of the Recapitalization Transaction (the "Deferred Professional Fees"). These New Secured Lenders held greater than 5.0% of the outstanding common shares of the Company upon the closing of the Recapitalization Transaction and are therefore considered to be related parties. The Company had until December 31, 2022, to pay the Deferred Professional Fees ratably based on the amount of each New Secured Lender's Deferred Professional Fees. The Deferred Professional Fees accrued simple interest at the rate of 12.0% from the Closing Date until December 31, 2022. Beginning with the first business day of the month following December 31, 2022, interest shall accrue on the Deferred Professional Fees at the rate of 20.0% calculated on a daily basis and is payable on the first business day of every month until the Deferred Professional Fees and accrued interest thereon is paid in full. As of December 31, 2022, the outstanding related party portion of the Deferred Professional Fees including accrued interest was $6.7 million (December 31, 2021 – $Nil). The related party balance is presented in accrued and other current liabilities on the consolidated balance sheets.

Note 16 - Income Taxes

Income tax expense (recoveries) for the years ended December 31, 2022 and 2021 consisted of the following:

	2022	2021 (Revised)
Current income tax expense		
Federal	$ 16,035	$ 21,288
State	2,438	5,071
Total current income tax expense	18,473	26,359
Deferred income tax recoveries		
Federal	(7,360)	(3,919)
State	(422)	(704)
Total deferred income tax recoveries	(7,782)	(4,623)
Net income tax expense	**$ 10,691**	**$ 21,736**

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

Total income tax expense differed from the amount computed by applying the federal statutory tax rate of 21.0% for the years ended December 31, 2022 and 2021 due to the following:

	2022	2021 (Revised)
Pretax loss at federal statutory rate	$(92,128)	$(11,709)
State income tax expense, net of federal expense	(512)	(1,580)
Non-deductible items	109,980	18,573
True-up of income taxes payable	(398)	1,257
Foreign deferred taxes with no benefit recognized	(24,663)	(1,553)
Other items	(31)	(123)
Change in valuation allowance	18,443	16,871
Total income tax expense	**$ 10,691**	**$ 21,736**

The tax effects of temporary differences that give rise to significant portions of the deferred income tax assets and liabilities as of December 31, 2022 and 2021 are presented below:

	2022	2021
Deferred income tax assets		
Net operating loss carryforwards	$ 45,761	$ 37,896
Interest expense carryforwards	32,440	29,038
Stock based compensation	14,927	9,082
Intangible assets	3,901	4,396
Property, plant and equipment	4,898	3,652
Inventories	309	670
Other items	597	772
	102,833	**85,506**
Valuation allowance	(98,519)	(80,070)
Deferred income tax assets	**4,314**	**5,436**
Deferred income tax liabilities		
Intangibles resulting from acquisitions	(28,129)	(32,943)
Deferred income tax liabilities	**(28,129)**	**(32,943)**
Net deferred income tax liabilities	**$ (23,815)**	**$(27,507)**

The Company is subject to taxation in Canada and the United States. As the Company operates in state-level legal cannabis industry within the United States, the Company is subject to the limits of Internal Revenue Code ("IRC") Section 280E under which the Company is only allowed to deduct expenses directly related to sales of product. This results in permanent differences between ordinary and necessary business expenses deemed non-allowable under IRC Section 280E and a higher effective tax rate than most industries.

As of December 31, 2022, the Company has Canadian non-capital loss carryforwards of $119.5 million available to offset future income which will expire in the years 2025 through 2042. As of December 31, 2022, the Company has federal net operating loss carryforwards of approximately $145.3 million available to offset future income of which $10.8 million will expire in the years 2035 through 2037 while the remaining $134.6 million are indefinite lived. Of the $145.3 million of federal net operating loss carryforwards, approximately all amounts are subject to IRC Section 382 limitations. Additionally, the Company has net operating loss carryforwards for state purposes aggregating $135.4 million as of December 31, 2022, of which $133.4 million will expire in the year 2035 through 2042 while the remaining $2.0 million have indefinite lives. Of the $133.4 million of state net operating loss carryforwards, approximately all amounts are subject to IRC Section 382 limitations. The increase in the valuation allowance was primarily due to management's conclusion that the deferred tax assets of non-cultivator entities are more likely than not to not be realized as well as recording of a valuation allowance against certain net operating losses and Section 163(j) carryforwards on entities impacted by the Recapitalization Transaction which closed June 24, 2022 for which no previous valuation allowance was recorded.

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

In general, under Section 382 of the U.S. Internal Revenue Code of 1986, as amended, a corporation that undergoes an "ownership change" is subject to limitations on its ability to utilize its pre-change net operating loss carryforwards ("NOLs") to offset future taxable income. Similarly, where control of a corporation has been acquired by a person or group of persons, subsection 111(5) of the Income Tax Act (Canada), and equivalent provincial income tax legislation restrict the corporation's ability to carry forward non-capital losses from preceding taxation years. The Company concluded that the Recapitalization Transaction which closed on June 24, 2022 did not qualify as an acquisition of control for Canadian tax purposes; therefore, the Company's existing Canadian non-capital losses are unlimited and continue to have a full valuation allowance set against its deferred tax assets. The U.S. NOLs will be subject to a substantial annual limitation arising from the Company's ownership changes. As a result, a full valuation allowance has been recorded by the Company on these deferred tax assets as well as any Section 163(j) interest limitation deduction carryforwards. The Section 382 limitation is increased by recognized built-in gain ("RBIG") in the five year period following the change date to the extent that the value of the loss corporation's assets exceed the tax basis of these assets. Under the Section 338 approach, assets are treated as generating RBIG even if these assets are not disposed of during the five year recognition period. The Company is in the process of reviewing the tax basis of their fixed assets so it can compare it to the deemed selling price under Section 382 of the code. The Company is expecting that this calculation may result in a RBIG that would increase the Section 382 limitation available over the next five years.

The Company files income tax returns in Canada, Luxembourg, United States and various state and local tax jurisdictions. The Company's income tax years open to examination for Canadian federal income taxes are from 2013 through 2020, for United States federal income taxes are from2019 through 2021, and for state and local income taxes vary from2019 to 2021. There are no open audits. Net operating losses arising prior to these years are also open to examination if and when utilized. The Company is in active collection procedures with the Internal Revenue Services and is negotiating payment agreements with the support of an external advisor.

The Internal Revenue Service filed Notices of Federal Tax Lien against GHHIA Management Inc. ("GHHIA"), Mayflower Medicinals Inc. ("Mayflower"), and ABACA, Inc. ("ABACA") for $8.5 million, $1.0 million and $1.1 million for the year ended December 31, 2020; respectively. The Internal Revenue Service filed Notice of Federal Tax Lien against ABACA on December 2, 2022, in the amount of $ 1.1 million for the year ended December 31, 2021. The Company is actively working to resolve these matters with the Internal Revenue Service.

Note 17 – Consolidated Statements of Cash Flows Supplemental Information

(a) Cash payments made on account of:

	Year Ended December 31, 2022	2021
Income taxes	$ 6,018	$ 4,497
Interest	101	94

(b) Changes in othernon-cash operating assets and liabilities are comprised of the following:

	Year Ended December 31, 2022	2021 (Revised)
Decrease (increase) in:		
Accounts receivables	$ (470)	$ (157)
Prepaid expenses	1,036	617
Inventories	(1,107)	(5,143)
Other current assets	654	623
Other long-term assets	(40)	522
Operating leases	(1,273)	(1,764)
(Decrease) increase in:		
Accounts payable	(3,095)	1,554
Accrued and other current liabilities	20,972	21,584
	$ 16,677	**$ 17,836**

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

(c) Depreciation and amortization are comprised of the following:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Property, plant and equipment	$ 12,739	$ 13,533
Operating lease ROU assets	2,295	2,113
Intangible assets	16,356	15,394
	$ 31,390	**$ 31,040**

(d) (Recoveries), write-downs and other charges, net are comprised of the following:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Account receivable recoveries	$ 66	$ (87)
Operating lease liabilities	(354)	—
Operating lease ROU assets	(29)	259
Property, plant and equipment	(529)	(125)
	$ (846)	**$ 47**

(e) Impairments are comprised of the following:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Impairment losses :		
Property, plant and equipment	$ 2,687	$ 36
Operating lease ROU assets	3,066	2,161
Intangible assets	24,798	5,170
	$ 30,551	**$ 7,367**

(f) Significant non-cash investing and financing activities are as follows:

	Year Ended December 31, 2022	Year Ended December 31, 2021
Supplemental Cash Flow Information:		
Non-cash consideration for paid-in-kind interest	8,245	2,750
Non-cash consideration for asset acquisition	19,193	—
Shares issued to settle MPX purchase options assumed from the MPX Acquisition	1,500	—
Cancellation of shares to be issued	31	—
Non-cash issuance of shares from consummation of the Recapitalization Transaction	455,443	—
Non-cash debt extinguishment from the consummation of the Recapitalization Transaction	(238,269)	—
Non-cash issuance of June Secured Debentures and June Unsecured Debentures from the consummation of the Recapitalization Transaction	99,402	—

iANTHUS CAPITAL HOLDINGS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Tabular U.S. dollar amounts and shares in thousands, unless otherwise stated)

Note 18 - Subsequent Events

Legal Proceedings

Please refer to Note 14 for further discussion.

Issuance of common shares

On January 5, 2023, the Company issued 7,853 common shares for vested RSUs. The Company withheld 7,776 common shares to satisfy employees' tax obligations of $0.2 million.

On March 3, 2023, the Company issued 27,929 common shares for vested RSUs to Mr. Kalcevich as per the December Separation Agreement.

Extension of INJ Senior Secured Bridge Notes

On February 2, 2023, the Company through its wholly-owned subsidiary, INJ, entered into the Amendment with all the holders of the Senior Secured Bridge Notes, pursuant to which the maturity date of the Senior Secured Bridge Notes was extended until February 2, 2024, the interest on the principal amount outstanding was increased to a rate of 12.0% per annum, and an amendment fee equal to 10.0% of the principal amount outstanding of the Senior Secured Bridge Notes as of February 2, 2023 or $1.4 million in the aggregate, was added to such notes such that it will become due and payable on the maturity date.

Disposition of Vermont Operations

On February 6, 2023, the Company entered into the MIPA pursuant to which the Company agreed to sell its membership interests in Grassroots Vermont Management Services, LLC, the sole owner of all issued and outstanding authorized common stock of FWR, Inc., which owns and operates a dispensary and cultivation/processing facility in Vermont. The aggregate proceeds to be received for the sale are $0.2 million in cash, subject to adjustments to be determined on date of closing. The closing of the Purchase Agreement is subject to, among other conditions, a Change of Control Approval from the Vermont Cannabis Control Commission.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A.CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls

Our principal executive officer and principal financial officer evaluated the effectiveness of our “disclosure controls and procedures” as of December 31, 2022, the end of the period covered by this Annual Report on Form 10-K. The term “disclosure controls and procedures” as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is accumulated and communicated to a company’s management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, cannot provide absolute assurance that the objectives of the controls system are met, and no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within a company have been detected. Based on the evaluation of our disclosure controls and procedures as of December 31, 2022, our Interim Chief Executive Officer and our Chief Financial Officer concluded that, as of such date, our disclosure controls and procedures were not effective due to material weakness, which could adversely affect our ability to record, process, summarize, and report financial data. Such weaknesses include: (1) Our internal controls relating to inventory valuation, estimated useful lives and depreciation of long-lived assets, expense cutoff for certain subsidiaries, business combinations, impairment of long-lived assets, and debt modification and extinguishment was not designed and maintained (2) Information technology general controls related to access security were not designed and implemented for all financially relevant applications during the audit period. Additionally, we did not perform reviews of relevant Service Organization Control Reports for key third party service providers (3) We did not perform an effective risk assessment or monitor internal controls over financial reporting. We did not have written documentation of internal control policies and procedures. We lacked sufficient resources to adequately perform and monitor account reconciliation and review controls (4) We misclassified certain employees as contractors based on the rules and regulations of the IRS.

We have developed a plan to remediate the material weaknesses, which includes implementing improved processes and internal controls to ensure the proper application of accounting practices and guidance. We also intend to increase our accounting staff as soon as economically feasible and sustainable to remediate these material weaknesses.

Management’s Annual Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting as such term is defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting is a process designed under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with GAAP. All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

As of December 31, 2022, under the supervision and with the participation of our management, including our Interim Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework—2013. Based on this assessment, our management concluded that, as of December 31, 2022, our internal control over financial reporting was not effective due to material weaknesses in our internal control over financial reporting related to certain matters, including (1) Our internal controls relating to inventory valuation, estimated useful lives and depreciation of long-lived assets, expense cutoff for certain subsidiaries, business combinations, impairment of long-lived assets, and debt modification and extinguishment was not designed and maintained (2) Information technology general controls related to access security were not designed and implemented for all financially relevant applications during the audit period. Additionally, we did not perform reviews of relevant Service Organization Control Reports for key third party service providers (3) We did not perform an effective risk assessment or monitor internal controls over financial reporting. We did not have written documentation of internal control policies and procedures. We lacked sufficient resources to adequately perform and monitor account reconciliation and review controls (4) We misclassified certain employees as contractors based on the rules and regulations of the IRS.

In light of the material weaknesses, we performed additional analysis and other post-closing procedures to ensure the reliability of financial reporting and that our financial statements were prepared in accordance with GAAP. Accordingly, we believe that the financial statements included in this report fairly present, in all material respects, our financial condition, results of operations and cash flows for the periods presented.

We have developed a plan to remediate the material weaknesses, which includes implementing improved processes and internal controls to ensure the proper application of accounting practices and guidance. We also intend to increase our accounting staff as soon as economically feasible and sustainable to remediate these material weaknesses.

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to the exemption provided to issuers that are not "large accelerated filers" nor "accelerated filers" under the Dodd-Frank Wall Street Reform and Consumer Protection Act.

Changes in Internal Control Over Financial Reporting

There have been no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

ITEM 9B. OTHER INFORMATION

None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The following table sets forth the name, age and positions of our executive officers and directors as of March 24, 2023.

NAME	AGE	POSITION
Robert Galvin	61	Interim Chief Executive Officer and Interim Chief Operating Officer
Philippe Faraut	54	Chief Financial Officer
Michelle Mathews-Spradlin	56	Chair of the Board
Scott Cohen	54	Director
Alexander Shoghi	41	Director
Kenneth W. Gilbert	72	Director

The business background and certain other information about our directors and executive officers is set forth below.

Robert Galvin. Robert Galvin was appointed to serve as the Company's Interim Chief Operating Officer on November 27, 2020 and as the Company's Interim Chief Executive Officer on May 6, 2022. In addition, since February 2019, he has served as an operations and administrative advisor to the Company. From February 2019 to December 2019, he also served as a member of the Company's Board of Directors. Prior to iAnthus, Mr. Galvin served as a member of the board of directors and as audit committee chair of MPX Bioceutical Corporation from November 2017 until the completion of the MPX Acquisition in February 2019. From 2016 to 2018, Mr. Galvin was Chief Financial Officer of Holtec International, an energy company. From 2009 to 2016, Mr. Galvin served as Chief Financial Officer of EQM Technologies & Energy, Inc., an environmental engineering firm, and from 2002 to 2009 he served as Chief Financial Officer of NuCO2 Inc., a beverage carbonation company formerly listed on Nasdaq. Mr. Galvin began his career with KPMG and holds a Bachelor of Science degree in accounting from Villanova University.

Philippe Faraut. Mr. Faraut was appointed to serve as the Company's Chief Financial Officer on November 15, 2022. Mr. Faraut brings over 20 years of senior CPG financial management and leadership expertise. Prior to joining iAnthus, Mr. Faraut the Chief Financial Officer of Irwin Naturals Inc. (OTCQB: IWINF) ("Irwin"), a mass market nutraceutical brand. Mr. Faraut led Irwin's initial public offering and entrance into the psychedelic mental health care space. Prior to that, he was a Managing Partner of the investment banking services firm Bastiat Partners from October 2016 to January 2021, and served as Chief Investment Officer for Knight Global, a family office with a diversified asset portfolio from 2015 to 2016. Mr. Faraut started his finance career at Merrill Lynch in the Consumer Retail group in New York and held senior positions at the Sage Group and Intrepid Investment Bankers. He holds a Master of Business Administration degree from the Anderson School at UCLA and a Bachelor of Science degree from Glion Institute – Hotel Management School.

Michelle Mathews-Spradlin. From 1993 until her retirement in 2011, Ms. Mathews-Spradlin worked at Microsoft Corporation (Nasdaq: MSFT) ("Microsoft"), where she served as Chief Marketing Officer and previously held several other key leadership positions. Prior to her employment with Microsoft, Ms. Mathews-Spradlin worked in the United Kingdom as a communications consultant for Microsoft from 1989 to 1993. She also held various roles at General Motors Co. from 1986 to 1989. As the CMO and SVP of Microsoft, Ms. Mathews-Spradlin oversaw the company's global marketing function, including the household brands of Windows, Office, Xbox, Internet Explorer and Bing. Ms. Mathews-Spradlin led Microsoft's consumer and business-to-business marketing to hundreds of millions of global customers. She was instrumental in driving the growth of Microsoft's global business by building several of the world's leading technology brands. As the most senior woman at Microsoft, she was also a strong advocate for female advancement and personally spearheaded the company's network and mentoring program for female progression at the company. She retired from Microsoft in 2011, after 22 years. Ms. Mathews-Spradlin currently serves on the board of The Wendy's Company (Nasdaq: WEN) and in addition serves as a board member of several private companies, including Jacana Holdings Inc., The Bouqs Company and You & Mr. Jones. She also previously served as a board member of Brandtech Group. She is also a digital advisory board member for Unilever PLC (NYSE: UL), a member of the board of trustees of the California Institute of Technology and a member of the executive board of the UCLA School of Theater, Film and Television. The Company believes Ms. Mathews-Spradlin is qualified to serve as a director of the Company because of her experience in senior leadership and C-suite positions.

Scott Cohen. Mr. Cohen has over 25 years of professional investment experience, including public and private debt and equity securities. Mr. Cohen is currently a consultant to financially troubled companies and stakeholders, and an active investor in turnaround opportunities. Until 2017 Mr. Cohen was with Silver Rock Financial, a large family office, investing in debt and equity investments. Responsibilities included sourcing of both public and private debt, structuring debt securities and loans, and leading activist and restructuring transactions. Prior to Silver Rock Financial, Mr. Cohen was Managing Director and Portfolio Manager at Cerberus Capital Management ("Cerberus"). At Cerberus, Mr. Cohen's responsibilities included analyzing, investing, and managing of a portfolio of primarily distressed assets. Most of these investments involved activist or control roles, from leading creditor committees to initiating negotiations with borrowers in restructurings. Mr. Cohen also worked closely with the private equity team at Cerberus on several large transactions, focusing on liability management within portfolio companies. Prior to joining Cerberus, Mr. Cohen worked in Merrill Lynch's distressed debt trading group from 1992 to 1998, analyzing and investing in distressed corporate situations. From 1990 to 1992 he was an investment banker in Merrill's High Yield Finance and Restructuring Group. Mr. Cohen is a 1990 graduate of Tufts University. The Company believes Mr. Cohen is qualified to serve as a director of the Company because of his experience and background in both private equity and capital markets.

Alexander Shoghi. Mr. Shoghi is a Portfolio Manager at Oasis Management, a private investment management firm headquartered in Hong Kong. Mr. Shoghi joined Oasis in 2005, first based in Hong Kong, and subsequently relocating to the U.S. as the founder and manager of Oasis Capital in Austin, Texas in early 2012. From 2004 to 2005, Mr. Shoghi worked at Lehman Brothers in New York City. Mr. Shoghi holds a Bachelor of Science of Business Administration in Finance and International Business degree from Georgetown University. The Company believes Mr. Shoghi is qualified to serve as a director of the Company because of his experience and background in finance.

Kenneth W. Gilbert. From October 2012 until his retirement in December 2017, Mr. Gilbert served as the Group Chief Marketing Officer of VOSS of Norway ASA ("VOSS"), a global manufacturer and marketer of premium bottled water. Prior to joining VOSS, Mr. Gilbert founded and served as the President of RazorFocus, a marketing consultant practice, from May 2005 to October 2012. Prior to that time, he served as President and Chief Operating Officer of UniWorld Group, Inc., a multicultural advertising agency in the U.S., from May 2003 to June 2004. From September 1995 to April 2001, Mr. Gilbert worked at Snapple Beverage Corporation (formerly Snapple Beverage Group, Inc.) ("Snapple") as Senior Vice President and Chief Marketing Officer, where he led marketing efforts to revitalize the brand and assembled four company brands for successful disposition. Prior to his employment with Snapple, Mr. Gilbert served as Group Account Director at the Messner Vetere Berger Carey Schmetterer RSCG advertising agency from July 1991 to August 1995 and as Senior Vice President and Director of Client Services at UniWorld Group, Inc. from February 1989 to June 1991. Mr. Gilbert currently serves on the board of The Wendy's Company (Nasdaq: WEN) since being appointed in 2016. The Company believes Mr. Gilbert is qualified to serve as a director of the Company because he possesses extensive experience in global brand management, marketing communications, advertising strategy and sustainability/ESG attributable to his overall professional background as a senior marketing executive in the consumer beverage industry. In his former roles as Chief Marketing Officer for VOSS and Snapple, Mr. Gilbert oversaw the company's marketing function, administered multimillion-dollar budgets, directed internal marketing capabilities, and managed the company's strategic worldwide brand development, expansion, and distribution. During those years he developed in-depth knowledge and expertise in strategic planning, innovative brand revitalization, risk management, advertising conceptualization and public relations, domestic and international operations, and human capital management. Mr. Gilbert also provides valuable and unique insights into consumer brand positioning strategies, new product development, digital and social media platforms and cultivation of brand recognition and value.

Family Relationships

There are no family relationships among any of our executive officers or directors.

Arrangements between Officers and Directors

Except as set forth in this Annual Report on Form 10-K, to our knowledge, there is no arrangement or understanding between any of our officers or directors and any other person pursuant to which such officer or director was selected to serve as an officer or director of the Company.

Involvement in Certain Legal Proceedings

We are not aware of any of our directors or officers being involved in any legal proceedings in the past ten years relating to any matters in bankruptcy, insolvency, criminal proceedings (other than traffic and other minor offenses), or being subject to any of the items set forth under Item 401(f) of Regulation S-K.

Audit Committee

The main function of the audit committee is to oversee our accounting and financial reporting processes, internal systems of control, independent registered public accounting firm relationships and the audits of our financial statements. The committee's responsibilities include, among other things:

- overseeing the work of the external auditors in preparing or issuing the auditor's report, including the resolution of disagreements between management and the external auditors regarding financial reporting and audit scope or procedures;
- determining whether adequate controls are in place over annual and interim financial reporting as well as controls over our assets, transactions and the creation of obligations, commitments and liabilities;

- reviewing our financial statements;
- reviewing transactions with related persons;
- reviewing all non-audit services which are proposed to be provided by the external auditors to us or any of our subsidiaries;
- establishing procedures for complaints received by us regarding accounting matters; and
- reviewing the policies and procedures in effect for considering officers' expenses and perquisites.

Prior to the completion of the Recapitalization Transaction, the audit committee was comprised of Michael Muldowney, Diane Ellis, and Robert Galvin, with Michael Muldowney serving as chair (the "Pre-Transaction Audit Committee"). Upon completion of the Recapitalization Transaction, members of the Pre-Transaction Audit Committee ceased to be directors of the Company and therefore as members of the audit committee. Following the completion of the Recapitalization Transaction and pursuant to the terms of the IRA which permitted the First Investor, the Second Investor and the Third Investor to appoint Board members, the audit committee consisted of Scott Cohen as Chair, Michelle Mathews-Spradlin and Marco D'Attanasio. On September 15, 2022, Mr. D'Attanasio resigned as a member of the Board and its audit committee. Effective as of November 4, 2022, Kenneth Gilbert was appointed as a member of the audit committee. As of December 31, 2022, our audit committee consisted of Scott Cohen, Michelle Mathews-Spradlin and Kenneth Gilbert, with Scott Cohen serving as the chair. Our Board of Directors has determined that Scott Cohen qualifies as an "audit committee financial expert," as such term is defined in Item 407(d)(5) of Regulation S-K. In addition, after reviewing the qualifications of the members of the audit committee and any relationships they may have with us that might affect their independence, the Board has determined that each of Scott Cohen, Michelle Mathews-Spradlin and Kenneth Gilbert are independent.

Our Board of Directors adopted a written charter for the audit committee, which is available on our website at www.ianthus.com/team/board-committees.

Nominating and Corporate Governance Committee

Our nominating and corporate governance committee is responsible for, among other things:

- developing and recommending criteria for Board membership and recommending Board nominees including reviewing candidates recommended by our shareholders;
- recommending committee nominees;
- considering matters of corporate governance;
- reviewing and advising regarding the functions of our senior officers; and
- reviewing succession plans with respect to our officers.

Pursuant to the IRA, the nominating and corporate governance committee shall be comprised of such directors as the Board may determine. As of December 31, 2022, our nominating and corporate governance committee consisted of Alexander Shoghi, Zachary Arrick and Scott Cohen, with Alexander Shoghi serving as the chair. On February 21, 2023, Zachary Arrick resigned from our Board of Directors and, as of such date, our nominating and corporate governance committee consisted of Alexander Shoghi and Scott Cohen. After reviewing the qualifications of the members of the nominating and corporate governance committee and any relationships they may have with us that might affect their independence, the Board has determined that Scott Cohen is independent.

Our Board of Directors adopted a written charter for the nominating and corporate governance committee, which is available on our website at www.ianthus.com/team/board-committees.

Compensation Committee

Our compensation committee is responsible for assessing whether any of our compensation policies or programs has the potential to encourage excessive risk-taking. Furthermore, our compensation committee discharges the responsibilities of the Board in overseeing our compensation policies, plans and programs and to review and determine the compensation to be paid to our executive officers, directors and other senior management, as appropriate. Our compensation committee is responsible for, among other things:

- reviewing and approving our compensation and benefit programs, policies and practices;
- setting the compensation of our Chief Executive Officer and approving the compensation of the members of our executive leadership team;
- establishing and reviewing annual and long-term performance goals and objectives of our Chief Executive Officer;

Table of Contents

- reviewing the goals approved by our Chief Executive Officer for the members of our executive leadership team and the performance thereof;
- reviewing and making recommendations to the Board regarding director compensation; and
- overseeing the administration of our cash-based and equity-based compensation plans.

Pursuant to the IRA, the compensation committee of the Board shall be comprised of one nominee designated by the Second Investor together with such other directors as the Board may determine. As of December 31, 2022, our compensation committee consisted of Michelle Mathews-Spradlin and Zachary Arrick, with Michelle Mathews-Spradlin serving as the chair. On February 21, 2023, Zachary Arrick resigned from our Board of Directors and, as of such date, our compensation committee consisted of Michelle Mathews-Spradlin. Michelle Mathews-Spradlin is a non-employee director, as defined in Rule 16b-3 promulgated under the Exchange Act and an outside director, as defined pursuant to Section 162(m) of the Internal Revenue Code of 1986, as amended.

In December 2021, the Compensation Committee retained Frederic W. Cook & Co., Inc. as a compensation consultant to the Company. This consultant assisted with the implementation of the Omnibus Incentive Plan and the annual compensation for the non-employee directors of the Board.

Our Board of Directors adopted a written charter for the compensation committee, which is available on our website at www.ianthus.com/team/board-committees.

Delinquent Section 16(a) Reports

Section 16(a) of the Exchange Act requires our directors and executive officers, and persons who own more than 10% of a registered class of our equity securities, to file with the SEC initial reports of ownership and reports of changes in ownership of our common stock and other equity securities. To our knowledge, based solely upon a review of Forms 3, 4, and 5 filed with the SEC during the fiscal year ended December 31, 2022, we believe that, except as set forth below, our directors, executive officers, and greater than 10% beneficial owners have complied with all applicable filing requirements during the fiscal year ended December 31, 2022.

- Robert Galvin failed to report two transactions on time on a Form 4;
- Julius Kalcevich, our former Chief Financial Officer, failed to report two transactions on time on a Form 4; and
- Philippe Faraut failed to report one transaction on time on a Form 4.

Code of Business Conduct and Ethics

We have adopted a written code of business conduct and ethics that applies to our directors and officers. A copy of the code is filed as an exhibit to our Annual Report on Form 10-K for the year ended December 31, 2020. Disclosure regarding any amendments to, or waivers from, provisions of the code of business conduct and ethics that apply to our directors and officers will be included in a Current Report on Form 8-K, which we will file within four business days following the date of the amendment or waiver.

Changes in Nominating Procedures

None.

ITEM 11. EXECUTIVE COMPENSATION

Summary Compensation Table

The following table sets forth for the years ended December 31, 2022 and 2021, the compensation awarded to, paid to, or earned by, our principal executive officer and two other most highly compensated executive officers. We refer to these officers as our "named executive officers."

Name and Principal Position	Year	Salary	Bonus (1)	Stock Awards (2)	Option Awards (3)	Nonqualified deferred compensation earnings	All other compensation	Total
Randy Maslow,	2022	$515,840	—	—	—	—	$12,215,669(4)	$12,731,509
Former Interim Chief Executive Officer, President and Director	2021	$675,000	—	—	—	—	—	$ 675,000
Robert Galvin,	2022	$675,000	—	$3,473,914	$167,181	—	—	$ 4,316,095
Interim Chief Executive Officer and Interim Chief Operating Officer	2021	$675,000	$250,000	—	—	—	—	$ 925,000
Philippe Faraut,	2022	$ 40,385	—	$ 300,000	—	—	—	$ 340,385
Chief Financial Officer	2021	—	—	—	—	—	—	—
Julius Kalcevich,	2022	$676,370	—	$4,479,377	$167,181	—	$ 281,134(4)	$ 5,604,062
Former Chief Financial Officer	2021	$675,000	$275,000	—	—	—	—	$ 950,000

(1) Represents payments of discretionary bonuses for performance during the applicable years discretionary payments as determined by the Board, and as further described below Discretionary Bonus Payments. Bouses for Robert Galvin and Philippe Faraut to be paid in respect of fiscal year ended on December 31, 2022 have not yet been determined, and if the Company determines to pay bonuses for 2022 to such individuals, the Company will file a Form 8-K once the bonuses are determined disclosing the amount of such bonuses. It is anticipated that the Company will make a decision regarding Messrs. Galvin's and Faraut's 2022 bonuses by June 30, 2023.

Table of Contents

(2) Represents the aggregate grant date fair value of RSUs granted for the fiscal year ended December 31, 2022 as determined in accordance with FASB ASC Topic 718, rather than the amount paid to or realized by Robert Galvin, Philippe Faraut or Julius Kalcevich. Mr. Galvin's and a portion of Mr. Kalcevich's 2022 RSU grants were promised to them in 2021 if the Recapitalization Transaction closed and were contingent on the closing of the Recapitalization Transaction. The FASB ASC Topic 718 amount of this grant may never be realized by Robert Galvin, Phillippe Faraut or Julius Kalcevich. See Note 10, "Share Capital" in the Notes to the Company's Consolidated Financial Statements for the fiscal year ended December 31, 2022 and December 31, 2021 included in this Form 10-K for more information regarding the Company's accounting for share-based compensation plans.

(3) Represents the aggregate grant date fair value of options granted for the fiscal year ended December 31, 2022 as determined in accordance with FASB ASC Topic 718, rather than the amount paid to or realized by Robert Galvin and Julius Kalcevich. The FASB ASC Topic 718 amount of this grant may never be realized by Robert Galvin or Julius Kalcevich. Mr. Maslow's separation included the extension of exercise period of options to acquire the Company's common shares, until the earlier of (i) five years from the May Resignation Date; (ii) the original expiration dates of the applicable option; or (iii) the closing of the Recapitalization Transaction. In accordance with the terms of the May Separation Agreement, Mr. Maslow's options to acquire the Company's common shares expired as of the Closing Date of the Recapitalization Transaction. Mr. Galvin's and Mr. Kalcevich's 2022 option grants were promised to them in 2021 if the Recapitalization Transaction closed and were contingent on the closing of the Recapitalization Transaction. See Note 10, "Share Capital" in the Notes to the Company's Consolidated Financial Statements for the fiscal year ended 2022 included in this Form 10-K for the year ended 2022 for more information regarding the Company's accounting for share-based compensation plans.

(4) For 2022, all other compensation for each Randy Maslow and Julius Kalcevich includes the following in connection with payments received under the May Separation Agreement (as defined herein) and the December Separation Agreement (as defined herein), and in each case, for the fiscal year ended December 31, 2022:

Name	Separation Payment	Bonus	COBRA Premiums	Paid Time Off	Total of All Other Compensation
Randy Maslow	$11,877,289	$300,000[(b)]	$ 16,787	$ 21,593	$ 12,215,669
Julius Kalcevich	$ 221,061[(a)]	—	$ 4,921[(a)]	$ 55,152	$ 281,134

(a) The value of Mr. Kalcevich's separation payment was in CAD and converted to USD for purposes of this filing using the exchange rate as of December 30, 2022 of 1.3544 CAD and 0.7383 USD.

(b) The payment of $300,000 was paid to Mr. Maslow with respect to his performance for the fiscal year that ended on December 31, 2021, but was paid in connection with, and pursuant to the terms of the May Separation Agreement.

Outstanding Equity Awards as of December 31, 2022

The following table provides information regarding option awards held by each of our named executive officers that were outstanding as of December 31, 2022.

	Option Awards					Stock Awards			
Name	Number of Securities Underlying Unexercised Options (#) Exercisable	Number of Securities Underlying Unexercised Options (#) Unexercisable	Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (3)	Option Exercise Price ($)	Option Expiration Date	Number of shares or units of stock that have not vested (#)	Market value of shares of units of stock that have not vested ($)[(6)]	Equity incentive plan awards: Number of unearned shares, units or other rights that have not vested (#)	Equity incentive plan awards: Market or payout value of unearned shares, units or other rights that have not vested ($)
Randy Maslow, Former Interim Chief Executive Officer, President and Director	—	—	—	—	—	—	—	—	—
Robert Galvin, Interim Chief Executive Officer and Interim Chief Operating Officer	2,625,7859[(1)]	1,312,893[(2)]	—	US $0.051	7/10/2030	11,816,034[(3)]	$ 271,769	—	—
Philippe Faraut, Chief Financial Officer	—	—	—	—	—	7,317,074[(4)]	$ 168,293	—	—
Julius Kalcevich, Former Chief Financial Officer	3,938,678[(5)]	—	—	US $0.051	7/10/2030	—	—	—	—

(1) Replacement stock options granted to Robert Galvin on September 21, 2022, which vested in equal installments on July 10, 2021 and July 10, 2022.
(2) Replacement stock options granted to Robert Galvin on September 21, 2022, all of which vest on July 10, 2023.
(3) RSUs granted to Robert Galvin on December 31, 2021, all of which vest on July 10, 2023.
(4) RSUs granted to Philippe Faraut on November 23, 2022, which vests annually in equal installments on November 23, 2023, November 23, 2024 and November 23, 2025.
(5) Replacement stock options granted to Julius Kalcevich on September 21, 2022, which are fully vested and fully vested in 2022.
(6) Market value determined using the closing stock price of $0.023 per share on the last trading day the fiscal year on December 30, 2022.

Robert Galvin Employment Agreement

We entered into an employment agreement with Robert Galvin (the "Galvin Employment Agreement") effective as of January 1, 2019, as amended April 4, 2020 pursuant to which Mr. Galvin currently serves as our Interim Chief Executive Officer and as our Interim Chief Operating Officer. The term of the Galvin Employment Agreement will continue for a period of three years and automatically renews for successive one-year periods at the end of each term until either party delivers written notice of their intent not to renew at least 60 days prior to the expiration of the then effective term.

Pursuant to the terms of the Galvin Employment Agreement, Mr. Galvin receives a base salary of $675,000. Mr. Galvin is also entitled to receive an annual incentive bonus at the sole discretion of our Board, based on criteria established annually by the Board in its sole discretion. Any such incentive bonus shall be paid no later than March 15 of the fiscal year following the fiscal year in which it was earned. Furthermore, pursuant to the terms of the Galvin Employment Agreement, we promised to issue annual grants of ten-year stock options (the "Time-Vested Options") to purchase such number of our common shares equal to $800,000 minus the value of the base salary for that year. The option grant shall vest in 12 equal quarterly installments commencing on the last day of the calendar quarter next following the date of grant and otherwise pursuant to the terms and conditions of an award agreement. Such Time-Vested Options may be granted as either stock options or restricted stock units. Mr. Galvin is also entitled to the annual performance based options (the “Performance Options”) to purchase such number of our common shares as determined by our compensation committee; provided, however, that the value of each annual grant shall be equal to no less than $400,000. We retained the discretion to cancel all, some or none of the Performance Options based on the achievement of certain individual or Company performance objectives. The Performance Options expire ten years from the date of grant and vest in 12 equal quarterly installments commencing on the last day of the calendar quarter following the date of grant. The Performance Options may be granted as either a grant of stock options or restricted stock units. Mr. Galvin is also eligible to participate in the Company’s benefit plans, along with vacation, sick and holiday pay in accordance with the Company’s policies established and in effect from time to time.

In the event that we terminate Mr. Galvin’s employment for Cause (as defined in the Galvin Employment Agreement), we shall pay Mr. Galvin his accrued but unpaid salary (the “Galvin Accrued Salary”) until the date of termination. If Mr. Galvin is terminated for Cause, then any options that vested 12 months prior to the date of termination shall be exercisable for 90 days following the date of termination and all other options shall terminate.

In the event that either Mr. Galvin’s employment is terminated by us for Disability (as defined in the Galvin Employment Agreement) or death, we shall pay to him (i) the Galvin Accrued Salary until the date of termination and (ii) all issued options shall be accelerated such that they shall become immediately exercisable (and shall not be subject to reduction for failure to meet performance objectives) and we shall extend the period during which such options may be exercisable. In the event that Mr. Galvin’s employment terminates by reason of his Disability or death at the beginning of any calendar year prior to the grant of any options, we shall issue to Mr. Galvin options based upon the value of the options granted to him in the calendar year prior to his termination. Such options shall be fully vested and immediately exercisable, with an exercise price equal to the fair market value at the time of issuance and shall remain exercisable for a period of ten years from the date of grant.

In the event that Mr. Galvin terminates his employment other than for Good Reason (as defined in the Galvin Employment Agreement), we shall pay to him (i) the Galvin Accrued Salary until the date of termination and (ii) all issued vested options shall continue to be exercisable but any unvested options shall terminate.

In the event that we terminate Mr. Galvin’s employment without Cause or if Mr. Galvin terminates his employment for Good Reason, we shall pay to him (i) the Galvin Accrued Salary until the date of termination and (ii) all issued options shall be accelerated such that they shall become immediately exercisable and we shall extend the period during which such options may be exercisable. Furthermore, if Mr. Galvin has been employed by us for at least three years, we shall also (i) issue him additional options to purchase such number of common shares equal to the total value of the options issued to him during the preceding 12 months (or if no options have been granted during the previous 12 months, then the most recent option grant, and which options shall be fully vested and immediately exercisable) and (ii) pay him the Severance Payment (as defined in the Galvin Employment Agreement) in an amount equal to his current base salary, plus the amount of any incentive bonus paid to him during the previous 12 months, provided that he, among other things, signs a release agreement. In addition, we will pay the COBRA premiums for Mr. Galvin and his dependents for a period of 12 months following his termination.

In the event that we terminate Mr. Galvin’s employment without Cause or if Mr. Galvin terminates his employment for Good Reason during the first 12 months after a Change in Control (as defined in the Galvin Employment Agreement), we shall pay to him (i) the Galvin

Accrued Salary until the date of termination; (ii) an amount equal to his Adjusted Base Salary Compensation (as defined in the Galvin Employment Agreement) for period of two years following the termination date; and (iii) all options shall be accelerated such that they shall become immediately exercisable (and shall not be subject to reduction for failure to meet performance objectives) and we shall extend the period during which such options may be exercisable. In addition, if Mr. Galvin has been employed by us for less than three years, we shall issue to him options to purchase such number of common shares equal to either the Adjusted Option Value (as such term is defined in the Galvin Employment Agreement) that were issued to him during the preceding 12 months. If the applicable employee has been employed by us for more than three years, we shall issue options to purchase such number of common shares equal to two times the Adjusted Option Value that were issued to him during the preceding 12 months (or if no options have been granted during the previous 12 months, then the most recent option grant), provided that Mr. Galvin, among other things, signs a release agreement. In either case, such options shall be fully vested and immediately exercisable for a period of ten years from the date of grant.

Philippe Faraut Employment Agreement

On November 14, 2022 we entered into an employment agreement with Philippe Faraut (the "Faraut Employment Agreement"), pursuant to which Mr. Faraut will service as the Chief Financial Officer of the Company. Pursuant to the Faraut Employment Agreement, Mr. Faraut will receive an annual base salary of $300,000 and beginning on January 1, 2023, Mr. Faraut will be eligible to receive an annual incentive cash bonus, in the sole discretion of our Board, based upon criteria established annually by the Board. In addition, for the period between November 14, 2022 and December 31, 2022, Mr. Faraut may be awarded a discretionary incentive cash bonus based on individual and/or corporate performance during such period. Except as provided below, Mr. Faraut must be employed on the bonus payment date to be eligible to receive the bonus for the applicable year.

On or prior to November 19, 2022 and on November 15 of each subsequent year, pursuant to the Faraut Employment Agreement, Mr. Faraut will be entitled to receive RSUs with respect to the common shares of the Company, having an aggregate fair market value, as of the date of grant, of $300,000. The grant of the RSUs to Mr. Faraut will be subject to the terms and conditions of the Company's Omnibus Incentive Plan and related equity award agreement. The RSUs will vest in three equal annual installments on the first three anniversaries of the date of grant of such RSUs, contingent on Mr. Faraut remaining employed through each vesting date. The RSUs will immediately fully vest upon the consummation of a Change of Control (as defined in the Faraut Employment Agreement). In addition, Mr. Faraut will be entitled to receive personal time off benefits under Company's policies and any other employee benefits pursuant to any benefit plans maintained by the Company in a manner consistent with other similarly situated employees of the Company. He will also be entitled to reimbursement of reasonable and necessary business-related expenses.

In the event of a Change of Control of the Company, either while Mr. Faraut is employed or during the first 12 months after the Company terminates Mr. Faraut's employment without Cause (as defined in the Faraut Employment Agreement), or Mr. Faraut resigns for Good Reason (as defined in the Faraut Employment Agreement), then he shall be entitled to receive the following upon the consummation of the Change of Control: (i) a lump-sum cash payment equal to the sum of (A) Mr. Faraut's then current base-salary for 18 months and (B) the amount of any annual incentive bonus paid to Mr. Faraut in the 12 months preceding the consummation of a Change of Control of the Company and (ii) a fully vested grant of RSUs with an aggregate fair market value equal to $450,000, based on the closing public market price per share on the 30th day after the date of the Change of Control of the Company. In the event that the Company terminates Mr. Faraut's employment due to his death or disability, all unvested and outstanding RSUs held by Mr. Faraut shall be accelerated and become fully vested on the date of such termination. In the event that the Company terminates Mr. Faraut's employment for any reason other than Cause, death or disability, or if Mr. Faraut resigns for Good Reason, then he shall be entitled to receive the following: (i) to the extent unvested, all RSUs held by Mr. Faraut shall be accelerated and become fully vested on the date of termination (provided that if such termination of employment is less than 180 days after a Change of Control of the Company, then only 66.67% of any unvested RSUs shall be accelerated and become fully vested); (ii) if Mr. Faraut is employed for at least one year, on the 60th date following the date of his termination of employment, Mr. Faraut will receive fully vested RSUs with an aggregate fair market value equal to $300,000 (provided that if such termination of employment is less than 180 days after a Change of Control of the Company, then Mr. Faraut shall not be entitled to any such payment); (iii) payment, over a 12 month period, of continuing compensation equal to the sum of (A) 12 months of his then base salary and (B) the amount of any annual incentive bonus paid to Mr. Faraut in the 12 months preceding the date of termination (provided that if such termination of employment is less than 180 days after a Change of Control of the Company, then Mr. Faraut shall not be entitled to any such payment); and (iv) if Mr. Faraut elects continuation coverage pursuant to COBRA under the Company's group health plan, the Company shall pay Mr. Faraut's COBRA premiums for such coverage until the earlier of (A) 12 months following the date of Mr. Faraut's termination of employment, or (B) the date upon which Mr. Faraut accepts new employment that offers him medical benefits. The foregoing severance benefits are subject to, among other things, Mr. Faraut's execution and delivery of a general release of all claims in favor of the Companies and their affiliates and subsidiaries.

Separation and Release Agreement - Payments Upon Termination

Effective as of the May Resignation Date, Randy Maslow, the Company's Interim Chief Executive Officer and President and a member of the Board of Directors, resigned from his executive positions, including all positions with the Company's subsidiaries and its affiliates, and from the Company's Board of Directors and its committees. In connection with the resignation, Mr. Maslow and the Company executed the May Separation Agreement, pursuant to which, Mr. Maslow will receive certain compensation and benefits valued to substantially equal the value of entitlements he would have received under Section 4(g) of his employment agreement. Specifically, Mr. Maslow will receive total cash compensation in the amount of the May Separation Payment, of which $5.1 million was paid out on May 6, 2022 (made up, in part, of a portion of severance payment of approximately $4.8 million, and unpaid 2021 bonus of $0.3 million). The remainder of the May Separation Payment was to be paid out in equal installments of approximately $0.9 million per month over the next eight months following the May Resignation Date, which was accelerated upon the closing of the Recapitalization Transaction. The total outstanding balance of the May Separation Payment owed to Mr. Maslow was paid in full as of July 15, 2022. Under the terms of the May Separation Agreement, the Company will continue to pay the monthly premium for Mr. Maslow's continued participation in the Company's health and dental insurance benefits pursuant to COBRA for one year from the May Resignation Date. Mr. Maslow's compensation and benefits under the May Separation Agreement included the extension of exercise period of options to acquire the Company's common shares, until the earlier of (i) five years from the May Resignation Date; (ii) the original expiration dates of the applicable option; or (iii) the closing of the Recapitalization Transaction. In accordance with the terms of the May Separation Agreement, Mr. Maslow's options to acquire the Company's common shares expired as of the Closing Date of the Recapitalization Transaction. Mr. Maslow served in a consulting role for six months following the May Resignation Date at a base compensation of $25 per month. As of November 6, 2022, the term of Mr. Maslow's consultancy terminated and the Company did not elect to extend the term. During the year ended December 31, 2022, the Company paid $0.2 million to Mr. Maslow in relation to consulting services provided (December 31, 2021—Nil).

Effective as of November 14, 2022, Julius Kalcevich, the Company's Chief Financial Officer, resigned from his executive positions, including all positions with the Company's subsidiaries and its affiliates. In connection with the resignation, on the Execution Date, Mr. Kalcevich and the Company executed the December Separation Agreement, pursuant to which, Mr. Kalcevich will receive certain compensation and benefits valued to substantially equal the value of entitlements he would have received under Section 4(g) of his employment agreement. Specifically, Mr. Kalcevich will receive total cash compensation in the amount of approximately $1.1 million, which is payable in equal installments of approximately $0.1 million per month over a period of 10 months following the Execution Date. As of December 31, 2022, the total payments made in relation to the December Separation Agreement were $0.2 million. Per the December Separation Agreement, Mr. Kalcevich was also issued a total of 27,930 RSUs with a fair value of $1.0 million, which became fully vested upon issuance. As of the Execution Date, all unvested outstanding stock options and RSUs previously issued to Mr. Kalcevich were accelerated.

Equity Grant Practices

We adopted the Company's Omnibus Incentive Plan dated October 15, 2018, which was approved by our shareholders at our annual general and special meeting held on November 26, 2018. Pursuant to the Omnibus Incentive Plan, we can grant stock options, stock appreciation rights, restricted stock, restricted stock units, deferred stock units, annual or long-term performance awards or other stock-based awards. On February 1 of each calendar year during the term of an executive employment agreement or the first day thereafter that we are permitted to make option grants to our executives, such executives receive grants of both time vested options and performance options. These equity grants may be granted as either stock options or restricted stock units.

On December 31, 2021 and June 23, 2022, our Board of Directors approved the terms of a Long-Term Incentive Program recommended by our compensation committee and, pursuant to which, on July 26, 2022, we issued certain of our employees (including executive officers) an aggregate of 320,165,409 RSUs under our Omnibus Incentive Plan in order to attract and retain such employees. All of our existing warrants and options were cancelled, and our common shares may be consolidated pursuant to a consolidation ratio which has yet to be determined.

Discretionary Bonus Payments

Pursuant to the terms of the executive employment agreements described above, the Company, through the Board, has the discretion to determine the amounts of the annual incentive bonus payments which executives may receive.

The Board has not yet determined the amount of bonuses for 2022, if any, for Robert Galvin and Philippe Faraut. It is anticipated that the Company will make a decision regarding Messrs. Galvin's and Faraut's 2022 bonuses by June 30, 2023.

Regular Benefits

To the extent eligible under the applicable plans and programs, an executive and an executive's family are entitled to participate in the Company's medical, dental, and vision plans.

Director Compensation

The following table presents the total compensation for each person who served as a non-employee member of our Board of Directors and received compensation for such service during the fiscal year ended December 31, 2022. Other than as set forth in the table and described more fully below, we did not pay any compensation, make any equity awards or non-equity awards to, or pay any other compensation to any of the non-employee members of our Board of Directors in 2022.

Name	Fees earned or paid in cash (s)	Stock Awards (1)	Total ($)
Robert M. Whelan, Jr. (3)	—		—
Michael P. Muldowney (4)	$ 149,952		$149,952
Diane M. Ellis (5)	$ 146,702		$146,702
Michelle Mathews-Spradlin	—	$ 58,637(2)	$ 58,637
Kenneth Gilbert (7)	—	$ 58,637(2)	$ 58,637
Scott Cohen	—	$ 58,637(2)	$ 58,637
Alexander Shoghi	—	$ 58,637(2)	$ 58,637
Zachary Arrick (8)	—	—	—
Marco D'Attanasio (6)	—	—	—

(1) Amounts reported represent the aggregate grant date fair value for option awards granted in each respective year in accordance with FASB ASC Topic 718, excluding the effect of forfeitures. See Note 10 "Share Capital" in the Notes to the Company's Consolidated Financial Statements for the fiscal year ended 2022 included in this Form 10-K for the year ended 2022 for more information regarding the Company's accounting for share-based compensation plans. The amounts shown in the Director Compensation Table above do not represent the actual value realized by each Director.

(2) On September 19, 2022, each Non-Investor Director was issued 1,960,785 RSUs valued at $100,000 on the date of the grant, which vested immediately. Michelle Mathews-Spradlin was issued 5,980,393 RSUs, valued at $305,000 on the date of the grant, all of which vest on September 23, 2023. Scott Cohen was issued 4,607,844 RSUs valued at $235,000 on the date of the grant, all of which vest on September 19, 2023. Kenneth Gilbert was issued 4,215,687 RSUs valued at $215,000 on the date of the grant, all of which vest on September 19, 2023. Alexander Shoghi was issued 4,460,785 RSUs valued at $227,500 on the date of the grant, all of which vest on September 19, 2023.

(3) Robert M. Whelan Jr. resigned as a member of our Board of Directors on January 18, 2022.

(4) Michael Muldowney resigned as a member of our Board of Directors on June 24, 2022 in connection with the closing of the Recapitalization Transaction.

(5) Diane Ellis resigned as a member of our Board of Directors on June 24, 2022 in connection with the closing of the Recapitalization Transaction.

(6) Marco D'Attanasio resigned as a member of our Board on September 15, 2022.

(7) Kenneth Gilbert was appointed as a member of our Board on August 11, 2022.

(8) Zachary Arrick resigned as a member of our Board on February 21, 2023.

Non-Employee Director Compensation Program

Our current director compensation program is designed to align our director compensation program with the long-term interests of our stockholders by implementing a program comprised of cash and equity compensation.

In setting director compensation, we consider the amount of time that directors expend in fulfilling their duties to the Company as well as the skill level and experience required by our Board. We also consider board compensation practices at similarly situated companies, while keeping in mind the compensation philosophy of us and the stockholders' interests. The directors also receive reimbursement for expenses, including reasonable travel expenses to attend board and committee meetings, reasonable outside seminar expenses, and other special board-related expenses.

Non-Employee Directors prior to the closing of the Recapitalization Transaction

Each independent director on our Board prior to the closing of the Recapitalization Transaction was paid an annual cash fee of $40,000 and a retainer of $100,000, which was prorated for the number of days in which the director served on the Board, assuming 365 days in a calendar year. Directors who also chair one of the three committees received an additional $7,500 per year in committee chair fees, which were prorated for the number of days in which the director chaired a committee, assuming 365 days in a calendar year.

Table of Contents

Non-Employee Directors of Investors after the closing of the Recapitalization Transaction

Pursuant to the terms of the IRA, each director that is not an employee of any of the Investors (each, a "Non-Investor Director") is entitled to director compensation. Each Non-Investor Director is paid: (i) a one-time equity grant of $100,000, payable in the form of RSUs, which vest immediately; (ii) an annual cash retainer (the "Annual Retainer") of $50,000, to be satisfied in the form of RSUs in lieu of cash for the first year of each Non-Investor Director's service on the Board; and (iii) an annual equity grant of $165,000 payable in the form of RSUs.

A Non-Investor Director acting as the chair of the audit committee of the Board is paid an annual cash retainer (the "Audit Chair Retainer") of $20,000, satisfied in the form of RSUs in lieu of cash for the first year of the Non-Investor Director's service as chair of the audit committee. A Non-Investor Director acting as the chair of the compensation committee of the Board is paid an annual cash retainer (the "Compensation Chair Retainer") of $15,000, satisfied in the form of RSUs in lieu of cash for the first year of the Non-Investor Director's service as chair of the compensation committee. A Non-Investor Director acting as the chair of the nominating and corporate governance committee of the Board is paid an annual cash retainer (the "Governance Chair Retainer") of $12,500, satisfied in the form of RSUs in lieu of cash for the first year of the Non-Investor Director's service as chair of the nominating and corporate governance committee. A Non-Investor Director acting as chair of the Board is paid an annual cash leadership retainer (the "Leadership Retainer") of $75,000, satisfied in the form of RSUs in lieu of cash for the first year of the Non-Investor Director's year of service as chair of the Board.

Pursuant to the terms of the IRA, each director that is an employee of any of the Investors (each, an "Investor Director") is not entitled to receive any director compensation.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth certain information regarding beneficial ownership of shares of our common shares as of March 24, 2023 by (i) each person known to beneficially own more than 5% of our outstanding common shares, (ii) each of our directors, (iii) each of our named executive officers and (iv) all of our directors and named executive officers as a group.

Except as indicated in footnotes to this table, we believe that the shareholders named in this table have sole voting and investment power with respect to all shares of common stock shown to be beneficially owned by them, based on information provided to us by such shareholders, subject to community property laws, where applicable.

Beneficial Owner(1)	Shares of Common Stock Beneficially Owned	Percentage (2)
Directors and Named Executive Officers:		
Robert Galvin	16,860,060(3)	*
Philippe Faraut	— (4)	—
Michelle Mathews-Spradlin	1,960,785(5)	*
Scott Cohen	1,960,785(6)	*
Kenneth Gilbert	1,960,785(7)	*
Alexander Shoghi	1,960,785(8)	*
All Executive Officers and Directors as a Group (6 persons)	24,703,200	*
5% or Greater Shareholders:		
Parallax Master Fund, LP (9)	369,665,259	5.74%
Jason Adler (10)	2,571,938,241(11)	39.94%
Hadron Healthcare and Consumer Special Opportunities Master Fund (12)	455,443,478	7.07%
Senvest Management, LLC (13)	1,062,701,449(14)	16.50%
Oasis Investments II Master Fund Ltd. (15)	1,270,742,712	19.73%

* Represents beneficial ownership of less than 1%.

(1) Unless otherwise indicated, the address of each person is c/o iAnthus Capital Holdings, Inc., 420 Lexington Avenue, Suite 414, New York, NY 10170.

(2) The calculation in this column is based upon 6,439,071,155 common shares outstanding on March 24, 2023. Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to the subject securities. Common shares that may be acquired by an individual or group within 60 days of March 24, 2023, pursuant to the exercise of options or warrants, vesting of common shares or conversion of convertible debt, are deemed to be outstanding for the purpose of computing the percentage ownership of such individual or group, but are not deemed to be outstanding for the purpose of computing the percentage ownership of any other person shown in the table.

(3) Represents 16,860,060 common shares. Excludes 11,816,034 common shares underlying unvested restricted stock units.
(4) Excludes 7,317,074 common shares underlying unvested restricted stock units.
(5) Represents 1,960,785 common shares. Excludes 7,941,178 common shares underlying unvested restricted stock units.
(6) Represents 1,960,785 common shares. Excludes 6,568,629 common shares underlying unvested restricted stock units.
(7) Represents 1,960,785 common shares. Excludes 6,176,472 common shares underlying unvested restricted stock units.
(8) Represents 1,960,785 common shares. Excludes 6,421,570 common shares underlying unvested restricted stock units.
(9) William Bartlett is the Managing Member of Parallax Master Fund, LP and in such capacity has the right to vote and dispose of the securities held by such entity. The address of Parallax Master Fund, LP is 88 Kearny Street, 20th Floor, San Francisco, CA 94108.
(10) Jason Adler is the Managing Member of Gotham Green Credit Partners GP I, LLC, Gotham Green GP 1, LLC, Gotham Green GP II, LLC and Gotham Green Partners SPV V GP, LLC. Gotham Green Credit Partners GP I, LLC is the General Partner of Gotham Green Credit Partners SPV 1, LP. Gotham Green GP 1, LLC is the General Partner of Gotham Green Fund 1, LP and Gotham Green Fund 1 (Q), LP. Gotham Green GP II, LLC is the General Partner of Gotham Green Fund II (Q), LP and Gotham Green Fund II, LP. Gotham Green Partners SPV V GP, LLC is the General Partner of Gotham Green Partners SPV V, LP.
(11) Represents (i) 125,810,963 common shares held by Gotham Green Fund 1, L.P.; (ii) 503,322,497 common shares held by Gotham Green Fund 1(Q), L.P.; (iii) 57,324,290 common shares held by Gotham Green Fund II, L.P.; (iv) 333,453,540 common shares held by Gotham Green Fund II (Q), L.P.; (v) 936,930,574 common shares held by Gotham Green Credit Partners SPV 1, L.P.; and (vi) 615,096,377 common shares held by Gotham Green Partners SPV V, L.P.
(12) Marco D'Attanasio, our former director, is the Managing Member of Hadron Healthcare and Consumer Special Opportunities Master Fund and in such capacity has the right to vote and dispose of the securities held by such entity. The address of Hadron Healthcare and Consumer Special Opportunities Master Fund is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.
(13) Senvest Management, LLC serves as the investment manager to Senvest Master Fund, LP and Senvest Global (KY), LP (collectively, the "Investment Vehicles"), with respect to the common shares held by the Investment Vehicles. Richard Mashaal serves as the Managing Member of Senvest Management, LLC, with respect to the common shares held by the Investment Vehicles. Senvest Management, LLC may be deemed to beneficially own the securities held by the Investment Vehicles by virtue of Senvest Management LLC's position as Investment Manager of each of the Investment Vehicles. Mr. Mashaal may be deemed to beneficially own the securities held by the Investment Vehicles by virtue of Mr. Mashaal's status as the Managing Member of Senvest Management, LLC.
(14) Represents: (i) 936,189,371 common shares held by Senvest Master Fund, LP; and (ii) 126,512,078 common shares held by Senvest Global (KY), LP.
(15) Seth Fisher is responsible for the supervision and conduct of all investment activities of Oasis Management Company Ltd. (the "Investment Manager"), including all investment decisions with respect to the assets of Oasis Investments II Master Fund Ltd., with respect to the common shares held by Oasis Investments II Master Fund Ltd. The address of the business office of Mr. Fischer is c/o Oasis Management (Hong Kong), 25/F, LHT Tower, 31 Queen's Road Central, Central, Hong Kong. The address of the business office of each of Oasis Management and the Oasis II Fund is Ugland House, PO Box 309 Grand Cayman, KY1-1104, Cayman Islands.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table summarizes information about our equity compensation plans as of December 31, 2022.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holder	33,143,342	$ 3.15	6,668,197
Equity compensation plans not approved by security holder	—	—	—
Total	33,143,342		6,668,197

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The following includes a summary of transactions during our fiscal years ended December 31, 2022 and December 31, 2021 to which we have been a party, including transactions in which the amount involved in the transaction exceeds the lesser of $120,000 or 1% of the average of our total assets at year-end for the last two completed fiscal years and in which any of our directors, executive officers or, to our knowledge, beneficial owners of more than 5% of our capital stock or any member of the immediate family of any of the foregoing persons had or will have a direct or indirect material interest, other than equity and other compensation, termination, change in control and other arrangements, which are described elsewhere in this Annual Report on Form 10-K. We are not otherwise a party to a current related party transaction and no transaction is currently proposed, in which the amount of the transaction exceeds the lesser of $120,000 or 1% of the average of our total assets at year-end for the last two completed fiscal years and in which a related person had or will have a direct or indirect material interest.

On October 24, 2019, INJ entered into the Loan Agreement with MPX NJ pursuant to which INJ would loan to MPX NJ, from time to time, up to an aggregate of $10.0 million, which may be increased by unlimited $1.0 million tranches, subject to certain conditions. Furthermore, INJ may advance up to an additional $5.0 million to MPX NJ in its sole discretion. Outstanding loans were to mature on December 31, 2021 and bear interest at a rate of 16% per year, subject to adjustment in the event of default. In connection with the Loan Agreement, on October 16, 2019, MPX NJ issued INJ the INJ Note in the principal amount of up to $10.0 million. The principal amount of the INJ Note together with any interest accrued thereon was convertible into such number of Class A units of MPX NJ equal to a 99% equity interest in MPX NJ on a fully diluted basis. In addition, on October 24, 2019, INJ entered into the Option Agreement with MPX NJ pursuant to which INJ acquired an option to acquire all of the units of MPX NJ for $1,000. Elizabeth Stavola, our former Chief Strategy Officer and former member of our Board was the former Chief Executive Officer and majority owner of MPX NJ. On February 3, 2021, INJ sent a notice of conversion to MPX NJ pursuant to the Loan Agreement, notifying MPX NJ of INJ's election to exercise its right to convert the entire principal amount outstanding, plus all accrued and unpaid interest thereon, into a number of Class A units of MPX NJ representing 99% equity interest in MPX NJ. The conversion of INJ's debt to equity was subject to approval by the CRC. In addition, on February 25, 2021, INJ sent to MPX NJ and the current equityholders of MPX NJ a notice of election, notifying MPX NJ and its current equityholders of INJ's election to exercise its purchase option pursuant to the Option Agreement. On January 7, 2022, the CRC approved the conversion of INJ's debt into a 99% equity interest in MPX NJ and INJ's acquisition of the remaining 1% of MPX NJ, and on February 1, 2022, INJ closed the acquisition of MPX NJ, resulting in INJ owning 100% of the equity interests of MPX NJ. As of December 31, 2022 and 2021, the outstanding balance of the loan facility including accrued interest was $Nil and $4.6 million, respectively.

Gotham Green Partners, LLC ("GGP") invested $14.7 million through the Interim Financing during the year ended December 31, 2020 and during the year ended December 31, 2021, GGP, Senvest Master Fund, LP, Oasis Investments II Master Fund LTD and Hadron Healthcare and Consumer Special Opportunities Master Fund invested an aggregate of $5.5 million, $2.1 million, $2.5 million and $0.09 million, respectively, through the Senior Secured Bridge Notes. On the Closing Date, we closed the Recapitalization Transaction pursuant to which the outstanding principal amount of the Secured Notes (including the Interim Financing) together with interest accrued and fees thereon were forgiven in part and exchanged for (A) the Secured Lender Shares, (B) June Secured Debentures and (C) June Unsecured Debentures and the outstanding principal amount of the Unsecured Debentures together with interest accrued and fees thereon were forgiven in part and exchanged for (A) the Unsecured Lender Shares and (B) June Unsecured Debentures. As a result of closing the Recapitalization Transaction, GGP and Parallax Master Fund, LP, were issued the June Secured Debentures in the principal amount of $84.4 million and $12.1 million, respectively, and 2,568,047,188 and 369,665,259 common shares, respectively. In addition, we issued June Unsecured Debentures as follows: $4.2 million to GGP, $0.6 million to Parallax Master Fund, LP, $1.3 million to Hi-Med, $5.3 million to Senvest Master Fund, LP, $6.3 million to Oasis Investments II Master Fund LTD and $2.3 million to Hadron Healthcare and Consumer Special Opportunities Master Fund, respectively. We also issued GGP, Parallax Master Fund, LP, Senvest Master Fund, LP, Oasis Investments II Master Fund LTD and Hadron Healthcare and Consumer Special Opportunities Master Fund 2,568,047,188, 369,665,259, 936,189,371, 1,265,120,771 and 455,443,478 common shares, respectively. Further during the year ended December 31, 2022, GGP, Senvest Master Fund, LP, Oasis Investments II Master Fund LTD and Hadron Healthcare and Consumer Special Opportunities Master Fund invested aggregate of $12.5 million, $4.8 million, $5.7 million and $2.0 million, respectively, which were evidenced through the issuance of Additional Secured Debentures. As of December 31, 2022, the outstanding principal balance of the June Secured Debentures and Additional Secured Debentures were $104.0 million and $26.1 million, respectively (December 31, 2021—principal amount of Secured Notes outstanding and interest were $97.5 million and $30.9 million, respectively). The outstanding principal balance of the June Unsecured Debentures as of December 31, 2022 was $20.9 million (December 31, 2021—principal amount of Unsecured Notes and interest were $60.0 million and $9.6 million, respectively). As of December 31, 2022, the outstanding principal balance on the Senior Secured Bridge Notes was $13.9 million (December 31, 2021—$12.5 million).

Pursuant to the terms of the Secured DPA, the Company has a related party payable of \$6.3 million due to certain of the New Secured Lenders, including GGP, Oasis Investment Master II Fund LTD., Senvest Global (KY), LP, Senvest Master Fund, LP and Hadron Healthcare and Consumer Special Opportunities Master Fund for certain out-of-pocket costs, charges, fees, taxes and other expenses incurred by the New Secured Lenders in connection with the closing of the Recapitalization Transaction (the "Deferred Professional Fees"). The Company had until December 31, 2022 to pay the Deferred Professional Fees ratably based on the amount of each New Secured Lender's Deferred Professional Fees. The Deferred Professional Fees accrued simple interest at the rate of 12.0% from the Closing Date until December 31, 2022. Beginning with the first business day of the month following December 31, 2022, interest began accruing on the Deferred Professional Fees at the rate of 20% calculated on a daily basis and is payable on the first business day of every month until the Deferred Professional Fees and accrued interest thereon is paid in full. As of December 31, 2022, the outstanding related party portion of the Deferred Professional Fees including accrued interest was \$6.7 million (December 31, 2021 – \$Nil).

Independence of the Board of Directors

Our Board of Directors is comprised of Scott Cohen, Michelle Mathews-Spradlin, Kenneth Gilbert, and Alexander Shoghi. We have determined that each of Scott Cohen, Michelle Mathews-Spradlin and Kenneth Gilbert are deemed to be independent within the meaning of the CSE Guide and applicable Canadian regulations. In addition, although our common shares are not listed on any U.S. national securities exchange, for purposes of independence we use the definition of independence applied by The Nasdaq Stock Market to determine which directors are "independent" in accordance with such definition and have determined that each of Scott Cohen, Michelle Mathews-Spradlin and Kenneth Gilbert are independent under the definition of independence applied by The Nasdaq Stock Market.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table sets forth the aggregate fees billed by as described below:

	2022	2021
Audit Fees	$1,334,216	$1,569,954
Audit Related Fees	—	—
Tax Fees	—	—
All Other Fees	—	—
Total	$1,334,216	$1,569,954

Audit Fees: Audit fees consist of fees for audit services on an accrued basis.

Audit-Related Fees: Audit-related fees are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit of the financial statements.

Tax Fees: Tax fees are fees for professional services rendered for tax compliance, tax advice and tax planning.

All Other Fees: All other fees are fees billed by the auditor for products and services not included in the foregoing categories.

Pre-Approval Policies and Procedures

In accordance with the Sarbanes-Oxley Act, our audit committee charter requires the audit committee to pre-approve all audit and permitted non-audit services provided by our independent registered public accounting firm, including the review and approval in advance of our independent registered public accounting firm's annual engagement letter and the proposed fees contained therein. The audit committee has the ability to delegate the authority to pre-approve non-audit services to one or more designated members of the audit committee. If such authority is delegated, such delegated members of the audit committee must report to the full audit committee at the next audit committee meeting all items pre-approved by such delegated members. In the fiscal years ended December 31, 2022 and 2021 all of the services performed by our independent registered public accounting firm were pre-approved by the audit committee.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

(a) The following documents are filed as part of this report:

(1) Financial Statements:

The consolidated financial statements required by this Item are included beginning at page 54.

(1) Financial Statement Schedules:

All financial statement schedules have been omitted because they are not applicable, not required or the information required is shown in the consolidated financial statements or the notes thereto.

(b) Exhibits

The following documents are included as exhibits to this report.

Exhibit No.	Title of Document
3.1	Articles of iAnthus Capital Holdings, Inc. (Incorporated by reference to Exhibit 3.1 to iAnthus' Form 10 filed with the SEC on December 8, 2020)
4.1*	Description of the Registrant's Securities
10.1+	Amended and Restated Omnibus Incentive Plan Dated October 15, 2018 (Incorporated by reference to Exhibit 10.1 to iAnthus' Form 10 filed with the SEC on December 8, 2020)
10.2+	Second Amended and Restated Secured Debenture Purchase Agreement dated July 10, 2020 by and among iAnthus Capital Holdings, Inc., iAnthus Capital Management, LLC, the lenders a party thereto, the credit parties a party thereto and Gotham Green Admin 1, LLC, as collateral agent (Incorporated by reference to Exhibit 10.2 to iAnthus' Form 10 filed with the SEC on December 8, 2020)
10.3+	Employment Agreement between the Company and Julius Kalcevich (Incorporated by reference to Exhibit 10.3 to iAnthus' Form 10 filed with the SEC on December 8, 2020)
10.4+	First Amendment to Employment Agreement between the Company and Julius Kalcevich (Incorporated by reference to Exhibit 10.4 to iAnthus' Form 10 filed with the SEC on December 8, 2020)
10.5+	Employment Agreement among iAnthus Capital Management, LLC including the Company and all of its subsidiaries and Randy Maslow (Incorporated by reference to Exhibit 10.5 to iAnthus' Form 10 filed with the SEC on December 8, 2020)
10.6+	First Amendment to Employment Agreement between the Company and Randy Maslow (Incorporated by reference to Exhibit 10.6 to iAnthus' Form 10 filed with the SEC on December 8, 2020)
10.7	Form of Warrant for March and May 2019 Private Placements (Incorporated by reference to Exhibit 10.8 to iAnthus' Form 10 filed with the SEC on December 8, 2020)
10.8	Form of Warrant for May 2018 and September and December 2019 Private Placements (Incorporated by reference to Exhibit 10.9 to iAnthus' Form 10 filed with the SEC on December 8, 2020)

10.9	Form of Warrant for MPX Private Placement dated January 19, 2017 (Incorporated by reference to Exhibit 10.10 to iAnthus' Form 10 filed with the SEC on December 8, 2020)
10.10	Form of Warrant for MPX October 2017 and January 2020 Private Placements (Incorporated by reference to Exhibit 10.11 to iAnthus' Form 10 filed with the SEC on December 8, 2020)
10.11	Form of Warrant for MPX Private Placement dated March 2, 2018 (Incorporated by reference to Exhibit 10.12 to iAnthus' Form 10 filed with the SEC on December 8, 2020)
10.12	Form of Warrant for MPX Private Placement dated December 20, 2018 (Incorporated by reference to Exhibit 10.13 to iAnthus' Form 10 filed with the SEC on December 8, 2020)
10.13	Form of Warrant for MPX June 2018 and January 2019 Private Placements (Incorporated by reference to Exhibit 10.14 to iAnthus' Form 10 filed with the SEC on December 8, 2020)
10.14	Form of Warrant for MPX Private Placement dated January 4, 2019 (Incorporated by reference to Exhibit 10.15 to iAnthus' Form 10 filed with the SEC on December 8, 2020)
10.15	Form of Warrant for MPX Private Placement dated January 17, 2018 (Incorporated by reference to Exhibit 10.16 to iAnthus' Form 10 filed with the SEC on December 8, 2020)
10.16+	Employment Agreement among iAnthus Capital Management, LLC including the Company and all of its subsidiaries and Robert Galvin (Incorporated by reference to Exhibit 10.17 to iAnthus' Form 10/A filed with the SEC on February 5, 2021)
10.17+	First Amendment to Employment Agreement between the Company and Robert Galvin (Incorporated by reference to Exhibit 10.18 to iAnthus' Form 10/A filed with the SEC on February 5, 2021)
10.18+	Separation Agreement and General Release by and among the Company, iAnthus Capital Management, LLC and Randy Maslow dated April 28, 2022 (Incorporated by reference to Exhibit 10.1 to iAnthus' Quarterly Report on Form 10-Q filed with the SEC on May 12, 2022)
10.19+	Consulting Services Agreement by and among the Company, iAnthus Capital Management, LLC and Randy Maslow dated May 6, 2022 (Incorporated by reference to Exhibit 10.2 to iAnthus' Quarterly Report on Form 10-Q filed with the SEC on May 12, 2022)
10.20†#	Third Amended and Restated Secured Debenture Purchase Agreement dated June 24, 2022 by and among the Company, iAnthus Capital Management, LLC, the other Credit Parties party thereto, Gotham Green Admin 1, LLC, as Collateral Agent, and the lenders party thereto (Incorporated by reference to Exhibit 10.1 to iAnthus' Current Report on Form 8-K filed with the SEC on June 30, 2022)
10.21†#	Unsecured Debenture Agreement dated June 24, 2022 by and among the Company, as guarantor, iAnthus Capital Management, LLC and the holders of all of the Company's 8% unsecured debentures (Incorporated by reference to Exhibit 10.2 to iAnthus' Current Report on Form 8-K filed with the SEC on June 30, 2022)
10.22	Form of 8.0% Senior Secured Debenture (Incorporated by reference to Exhibit 10.3 to iAnthus' Current Report on Form 8-K filed with the SEC on June 30, 2022)
10.23	Form of 8.0% Senior Unsecured Debenture (Incorporated by reference to Exhibit 10.4 to iAnthus' Current Report on Form 8-K filed with the SEC on June 30, 2022)
10.24#	Registration Rights Agreement dated June 24, 2022 by and among the Company, iAnthus Capital Management, LLC and certain holders (Incorporated by reference to Exhibit 10.5 to iAnthus' Current Report on Form 8-K filed with the SEC on June 30, 2022)
10.25#	Investor Rights Agreement dated June 24, 2022 by and among the Company, iAnthus Capital Management, LLC and certain investors (Incorporated by reference to Exhibit 10.6 to iAnthus' Current Report on Form 8-K filed with the SEC on June 30, 2022)
10.26+	Employment Agreement by and between iAnthus Capital Management, LLC, including iAnthus Capital Holdings, Inc. and all of its subsidiaries, and Philippe Faraut dated November 14, 2022 (Incorporated by reference to Exhibit 10.1 to iAnthus' Current Report on Form 8-K filed with the SEC on November 17, 2022)
14.1	Code of Business Conduct and Ethics (Incorporated by reference to Exhibit 14.1 to iAnthus' Annual Report on Form 10-K filed with the SEC on April 1, 2021)

21.1*	Subsidiaries
23.1*	Consent of Marcum LLP
31.1*	Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) of the Exchange Act and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002
101.INS*	Inline XBRL Instance Document
101. SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
104*	Cover Page Interactive Data File – the cover page of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2022 is formatted in Inline XBRL

* Filed herewith.

\+ Management contract or compensatory plan or arrangement.

Pursuant to Item 601(b)(10) of Regulation S-K, certain confidential portions of this exhibit were omitted by means of marking such portions with an asterisk because the identified confidential portions (i) are not material and (ii) the Company customarily and actually treats that information as private or confidential.

† Schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company hereby undertakes to furnish supplementally copies of any of the omitted schedules upon request by the Securities and Exchange Commission.

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on this 29th day of March, 2023.

IANTHUS CAPITAL HOLDINGS, INC.

/s/ Robert Galvin
Robert Galvin
Interim Chief Executive Officer and Interim Chief Operating Officer (Principal Executive Officer)

Pursuant to the requirements of the Securities Act of 1934, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ Robert Galvin Robert Galvin	Interim Chief Executive Officer and Interim Chief Operating Officer (Principal Executive Officer)	March 29, 2023
/s/ Philippe Faraut Philippe Faraut	Chief Financial Officer (Principal Financial and Accounting Officer)	March 29, 2023
/s/ Michelle Mathews-Spradlin Michelle Mathews-Spradlin	Chair of the Board	March 29, 2023
/s/ Scott Cohen Scott Cohen	Director	March 29, 2023
/s/ Kenneth Gilbert Kenneth Gilbert	Director	March 29, 2023
/s/ Alexander Shoghi Alexander Shoghi	Director	March 29, 2023

Exhibit 4.1

DESCRIPTION OF THE REGISTRANT'S SECURITIES REGISTERED PURSUANT TO SECTION 12 OF THE SECURITIES EXCHANGE ACT OF 1934

As of December 31, 2022, iAnthus Capital Holdings, Inc. ("the Company") had one class of security registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), its common shares, no par value (the "Common Shares").

Description of Common Shares

The following description of the Company's Common Shares is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to the Articles of iAnthus Capital Holdings, Inc. (the "Articles"), which is incorporated by reference as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.1 is a part. The Company encourages you to read its Articles and the applicable provisions of the Business Corporations Act (British Columbia) for additional information.

Authorized Capital Shares

The Company's authorized capital shares consists of an unlimited number of Common Shares without par value. As of December 31, 2022, there were 6,403,288,827 Common Shares were issued and outstanding.

Voting Rights

Each Common Share carries the right to attend and vote at all general meetings of shareholders.

Dividend Rights

Holders of the Company's Common Shares are entitled to dividends, if any, as and when declared by the Company's Board of Directors and to one vote per Common Share at meetings of shareholders.

Liquidation Rights

Upon liquidation, dissolution or winding-up of the Company, the holders of the Common Shares may share, on a pro rata basis, the remaining assets of the Company as are distributable to holders of the Common Shares of the Company.

Redemption, Call, Assessment, Cancellation, Surrender, Pre-Emptive and Conversion Rights

The Company may, subject to certain exceptions, purchase, redeem or otherwise acquire any of its Common Shares at the price and upon the terms determined by the Company's Board of Directors. The Company's Common Shares are not subject to call or assessment rights, rights regarding purchase for cancellation or surrender, or any pre-emptive or conversion rights.

Transfer Agent and Registrar

The Company's transfer agent and registrar is Computershare Investor Services Inc. whose address is 100 University Avenue, 8th Floor, Toronto, ON M5J 2Y1.

Listing

The Company's Common Shares are listed on the Canadian Securities Exchange under the symbol "IAN" and quoted on the OTC Pink Tier of the OTC Markets Group, Inc. under the symbol "ITHUF."

Exhibit 21.1

Name of Entity	Doing Business As	Jurisdiction of Registration	Direct Ownership Interest
ABACA, Inc.	Health for Life Cave Creek	Arizona, USA	0.0%
Ambary, LLC		Arizona, USA	100%
The Healing Center Wellness Center, Inc.	Health For Life Crismon	Arizona, USA	0.0%
Health for Life, Inc.	Health For Life Ellsworth Health For Life East	Arizona, USA	0.0%
Soothing Options, Inc.	Health For Life McDowell Health For Life North	Arizona, USA	0.0%
S8 Management, LLC		Arizona, USA	100%
S8 Rental Services, LLC		Arizona, USA	100%
iAnthus Arizona, LLC		Arizona, USA	100%
MPX Bioceutical ULC		British Columbia, Canada	100%
Scarlet Globemallow, LLC		Colorado, USA	100%
Bergamot Properties, LLC		Colorado, USA	100%
iAnthus Capital Management, LLC		Delaware, USA	100%
iAnthus Holdings Florida, LLC		Florida, USA	100%
GrowHealthy Properties, LLC		Florida, USA	100%
GHHIA Management, Inc.		Florida, USA	100%
McCrory’s Sunny Hill Nursery, LLC	GrowHealthy	Florida, USA	100%
iA IT, LLC		Illinois, USA	100%
iA GPT, LLC		Illinois, USA	19%
iA GP, LLC		Illinois, USA	19%
Island Thyme, LLC		Illinois, USA	19%
MPX Luxembourg SARL		Luxembourg	100%
GreenMart of Maryland, LLC	Health For Life Baltimore	Maryland, USA	100%
LMS Wellness Benefit, LLC	Health For Life White Marsh	Maryland, USA	0.0%
Rosebud Organics, Inc.	MPX Maryland	Maryland, USA	100%
Budding Rose, Inc.	Health For Life Bethesda	Maryland, USA	100%
Pilgrim Rock Management, LLC		Massachusetts, USA	100%
Mayflower Medicinals, Inc.		Massachusetts, USA	100%
Cannatech Medicinals Inc.		Massachusetts, USA	100%
Fall River Development Company, LLC		Massachusetts, USA	100%
IMT, LLC		Massachusetts, USA	100%
CGX Life Sciences, Inc.		Nevada, USA	100%
GreenMart of Nevada NLV, LLC	Health for Life	Nevada, USA	100%
iA Northern Nevada, Inc.		Nevada, USA	100%
MPX New Jersey, LLC		New Jersey, USA	100%
GTL Holdings, LLC		New Jersey, USA	100%
iAnthus New Jersey, LLC		New Jersey, USA	100%
iA CBD, LLC		New Jersey, USA	100%
iAnthus Empire Holdings, LLC		New York, USA	100%
Citiva Medical, LLC	Be.	New York, USA	100%
Grassroots Vermont Management Services, LLC		Vermont, USA	100%
FWR, Inc.	Grassroots Vermont	Vermont, USA	100%
Pakalolo, LLC		Vermont, USA	100%

Exhibit 23.1

INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM'S CONSENT

We consent to the incorporation by reference in the Registration Statement of iAnthus Capital Holdings, Inc. on FormS-8 of our report dated March 29, 2023, which includes an explanatory paragraph as to the Company's ability to continue as a going concern, with respect to our audits of the consolidated financial statements of iAnthus Capital Holdings, Inc. as of December 31, 2022 and 2021 and for the years ended December 31, 2022 and 2021, which report is included in this Annual Report on Form 10-K of iAnthus Capital Holdings, Inc. for the year ended December 31, 2022.

/s/ Marcum LLP

Marcum LLP
New York, NY
March 29, 2023

Exhibit 31.1

Certification of Chief Executive Officer of iAnthus Capital Holdings, Inc.
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Robert Galvin, certify that:

1. I have reviewed this Annual Report on Form 10-K of iAnthus Capital 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 consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2023

/s/ Robert Galvin
Robert Galvin
Interim Chief Executive Officer and Interim Chief Operating Officer
(Principal Executive Officer)

Exhibit 31.2

Certification of Chief Financial Officer of iAnthus Capital Holdings, Inc.
Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Philippe Faraut, certify that:

1. I have reviewed this Annual Report on Form 10-K of iAnthus Capital 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 consolidated financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant's disclosure controls and procedures, and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 29, 2023

/s/ Philippe Faraut
Philippe Faraut
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 32.1

Statement of Chief Executive Officer and Chief Financial Officer
Pursuant to Section 1350 of Title 18 of the United States Code

Pursuant to Section 1350 of Title 18 of the United States Code as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned, Robert Galvin, the Interim Chief Executive Officer and Interim Chief Operating Officer of iAnthus Capital Holdings, Inc. (the “Company”), and Philippe Faraut, the Chief Financial Officer of the Company, hereby certify that based on the undersigned’s knowledge:

1. The Company’s Annual Report on Form 10-K for the period ended December 31, 2022 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

Date: March 29, 2023	/s/ Robert Galvin
	Robert Galvin
	Interim Chief Executive Officer and Interim Chief Operating Officer
	(Principal Executive Officer)
Date: March 29, 2023	/s/ Philippe Faraut
	Philippe Faraut
	Chief Financial Officer
	(Principal Financial and Accounting Officer)