Risk Factors Comparison 2023-03-31 to 2022-03-31 Form: 10-K

Legend: New Text ~~Removed Text~~ Unchanged Text Moved Text Section

Our operations and financial results are subject to various risks and uncertainties, including but not limited to those described below, which could harm our business, reputation, financial condition, and operating results. The following is a description of what we consider the key challenges and material risks to our business and an investment in our Class A common stock. Risks Related to Our Business and Industry ~~Due to~~ **Global economic conditions, including inflation and supply chain disruptions, could materially and adversely our business, prospects, results of operations, financial condition,** ~~our~~ - **or** ~~low~~ cash ~~balance~~ **flows. Our business** and **operations are sensitive to global economic conditions. General global economic downturns and macroeconomic trends, including heightened inflation, volatility in the capital markets, interest rate and currency rate fluctuations, the ongoing war in Ukraine, and economic slowdown or recession, may result in unfavorable conditions that could** ~~negative~~ **negatively affect demand for our products and exacerbate some of the other risks that affect our business, financial condition and results of operations. Both domestic and international markets experienced significant inflationary pressures in 2022 and inflation rates in the U. S. are currently expected to continue at elevated levels for the near- term. In addition, the Federal Reserve has raised, and is expected to continue to raise, interest rates in response to concerns about inflation, which, coupled with reduced government spending and volatility in financial markets, may have the effect of further increasing economic uncertainty and heightening these risks. Interest rate increases or other government actions taken to reduce inflation could also result in an economic recession. A material decline in the economic conditions affecting consumers, which results in a reduction in disposable income for the average consumer, may change consumption patterns, and may result in a reduction in spending on vaporization products and consumption accessories or a switch to cheaper products or products obtained through illicit channels. Many of our products are relatively new to the market and may be regarded by consumers as a novelty item and expendable. As such, demand for our vaporizer products may be particularly sensitive to economic conditions such as inflation, recession, high energy costs, unemployment, changes in interest rates and money supply, changes in the political environment and other factors beyond our control, any combination of which could result in a material adverse effect on our business, results of operations and financial condition. Our ability to fund our capital requirements will depend on many factors, and if we are unsuccessful in increasing sales and generating positive** cash ~~flow~~ **flows** ~~, unless we raise additional capital~~ we may have to further reduce our costs by curtailing future operations to continue as a business ~~, and substantial doubt may be raised about our ability to continue as a going concern~~ . Our ability to fund our capital requirements out of our available cash and cash generated from our operations in the future will depend on many factors, but largely on our ability to (i) increase sales of our products, (ii) raise capital on favorable terms, and (iii) generate positive cash flow and / or profits from our operations. ~~It is possible that we may not be able to find financing in the capital markets or from lenders on acceptable terms or at all in the future.~~ If we are not successful in generating needed funds from operations or in equity or debt capital raising transactions, we may need to further reduce our costs, which measures could include selling or consolidating certain operations or assets, and delaying, canceling or scaling back product development and marketing programs ~~. In March 2022, we announced a reduction in headcount and our intent to pursue certain other cost saving initiatives, conducting a sale leaseback of our headquarters, discontinuing lower- margin sales, raising prices and securing an asset backed loan. We can provide no assurances that we will be successful in executing such cost saving measures or that such cost- saving measures will be sufficient even if successfully effected. These measures could materially and adversely affect our ability to operate profitably~~ . In addition, our low cash balance and negative cash flow may cause an inability to pay our vendors on time, purchase all the inventory we need, and meet various other obligations going forward. Also, if we are not successful in generating funds from operations or from capital raising transactions, substantial doubt may be raised about our status as a going concern. **If we are** ~~We will likely be~~ required to seek additional financing sources, ~~which~~ **they** may not be available to us on attractive terms if at all and could restrict our ability to engage in certain business activities. **Due to limited** ~~Because we have not had~~ access to the debt markets ~~on attractive terms~~ , we have been required to issue equity under our at- the- market offering program (" ATM Program ") at prices that are dilutive to stockholders. We may be forced to continue to seek equity capital at dilutive prices through our ATM Program or otherwise if other financing is not available to us to fund our working capital needs. In the past, because of the nature of our industry, we have had difficulties establishing relationships with certain financial institutions and may continue to face such difficulties. As a result, indebtedness or other forms of financing may not be available to us on attractive terms or at all. ~~For example and as described in greater detail below, in December 2021 following negotiation with traditional financial institutions, we elected to enter into a Secured Promissory Note with Aaron LoCascio, our co- founder, former Chief Executive Officer and President, and a current director of the Company, in which Mr. LoCascio agreed to provide us with an $ 8. 0 million bridge loan at a simple interest rate of 15. 0 % (the " Bridge Loan ").~~ Furthermore, we may have to seek financing from non- traditional sources such as private equity and hedge funds, which may require us to give up significant governance or other rights or agree to economic and other terms that are not favorable. In addition, future financing agreements we may enter into in the future may contain customary negative covenants and other financial and operating covenants that, among other things: • restrict our ability to incur additional indebtedness; • restrict our ability to incur additional liens; • restrict our ability to make certain investments (including capital expenditures); • restrict our ability to merge with another company; • restrict our ability to sell or dispose of assets; • restrict our ability to make distributions to stockholders; and • require us to satisfy minimum financial coverage ratios, minimum net worth requirements, maximum leverage ratios, or other financial covenants. **Due to the restrictions imposed on us by**

General Instruction I. B. 6 of Form S- 3 and our low market capitalization and total public float, we are not able to use our universal shelf registration statement on Form S- 3 for a period of time, which limits our liquidity options. We estimate that we had cash available as of December 31, 2022 of $ 6. 5 million. In addition, our revenue for the year ended December 31, 2022 was down from prior years and has declined in recent quarters. If we are unable to access additional liquidity through successful execution of our cost cutting strategic initiatives and revenue goals, we may have significant cash constraints, which would have a material adverse impact on our business, results of operations and ability to pay our debts as they come due. Our goodwill and other assets have been subject to impairment and may continue to be subject to impairment in the future. As discussed elsewhere in this Annual Report on Form 10- K, we incurred an impairment charges of approximately $ 71. 4 million during the year ended December 31, 2022 related to the write- down of goodwill and indefinite- lived intangible assets. We continue to have significant amounts of intangible assets, such as customer relationships acquired in connection with the KushCo merger. We cannot predict the amount and timing of any future impairments, if any. We may experience such charges in connection with past or future acquisitions, particularly if business performance declines or expected growth is not realized or the applicable discount rate changes adversely. It is possible that material changes in our business, market conditions, or market assumptions could occur over time. Any future impairment of our other intangible assets could have an adverse effect on results of operations, as well as the trading price of our Class A common stock. For a further discussion of the 2022 impairment charges, please refer to the sections titled " Note 8 — Supplemental Financial Statement Information — Goodwill" " Note 8 — Supplemental Financial Statement Information — Intangible Assets, Net." We have failed, and may continue to fail, to meet the listing standards of Nasdaq, and as a result our Class A common stock may become delisted, which could have a material adverse effect on the liquidity of our Class A common stock. If we fail to continue to satisfy the continued listing requirements of Nasdaq, such as the corporate governance or public float requirements, or the minimum closing bid price requirement, Nasdaq will take steps to de- list our Class A common stock. As a result of several factors, including but not limited to our financial performance, market sentiment about the cannabis industry, volatility in the financial markets generally due to the tightening of monetary policy by the Board of Governors of the United States Federal Reserve Bank (the " Federal Reserve ") and other geopolitical events, events such as the ongoing war in Ukraine, the per share price of our Class A common stock has declined below the minimum bid price threshold required for continued listing. Such a de- listing would likely have a negative effect on the price of our Class A common stock and would impair your ability to sell or purchase our Class A common stock when you wish to do so, as well as adversely affect our ability to issue additional securities and obtain additional financing in the future. For example, on February 25, 2022, we received a deficiency letter from the Listing Qualifications Department of the Nasdaq (the " Nasdaq Staff "), notifying us that, for the last 30 consecutive business days, the closing bid price for our Class A common stock had closed below the minimum $ 1. 00 per share required for continued listing on the Nasdaq pursuant to Nasdaq Listing Rule 5550 (a) (2) (" Rule 5550 (a) (2) "). On August 4, 2022, we filed a Certificate of Amendment to our charter with the Secretary of State of the State of Delaware, which effected a one- for- 20 reverse stock split (the " Reverse Stock Split ") of our issued and outstanding shares of Class A common stock and Class B common stock at 5: 01 PM Eastern Time on August 9, 2022. As a result of the Reverse Stock Split, every 20 shares of common stock issued and outstanding were converted into one share of common stock. We paid cash in lieu of fractional shares, and accordingly, no fractional shares were issued in connection with the Reverse Stock Split. On August 24, 2022, we were notified by the Nasdaq Staff that we had regained compliance with Rule 5550 (a) (2) and that the matter had been closed. On December 13, 2022, we received a new deficiency letter from the Nasdaq Staff notifying us that we were out of compliance with Rule 5550 (a) (2) for a second time. There are many factors that may adversely affect our minimum bid price. Many of these factors are outside of our control. As a result, we may not be able to sustain compliance with Rule 5550 (a) (2) in the long term. Any potential delisting of our Class A common stock from the Nasdaq would likely result in decreased liquidity and increased volatility for our Class A common stock and would adversely affect our ability to raise additional capital or to enter into strategic transactions, in addition to adversely impacting the perception of our financial condition and could cause reputational harm to investors and parties conducting business with us. Any potential delisting of our Class A common stock from the Nasdaq would also make it more difficult for our stockholders to sell our Class A common stock. If we do not regain compliance with Rule 5550 (a) (2) by June 12, 2023, we may be afforded a second 180 calendar day period to regain compliance. To qualify, we would be required to meet the continued listing requirement for market value of publicly held shares and all other initial listing standards for The Nasdaq Capital Market, except for the minimum bid price requirement. In addition, we would be required to notify Nasdaq of our intent to cure the deficiency during the second compliance period. In the event of a de- listing, we would take actions to restore our compliance with Nasdaq Marketplace Rules, but we can provide no assurances that the listing of our Class A common stock would be restored, that our Class A common stock will remain above the Nasdaq minimum bid price requirement or that we otherwise will remain in compliance with the Nasdaq Marketplace Rules. Our narrow margins may magnify the impact of variations in operating costs and of adverse or unforeseen events on operating results. We are subject to intense price competition. As a result of this and other factors, our gross and operating margins have historically been ~~narrow, and we expect them to continue to be~~ narrow. Narrow margins magnify the impact of variations in operating costs and of gross margin and of unforeseen adverse events on operating results. Continued increases in costs, such as the cost of merchandise, wage levels, shipping rates, import duties and fuel costs, may negatively impact our margins and profitability. We are not always able to raise the sales price to offset cost increases or to effect increased operating efficiencies in response to increasing costs. If we are unable to maintain our margins in the future, it could have a material adverse effect on our business, results of operations and financial condition. If we become subject to increased price competition in the future, we cannot assure you that we will not lose market share, that we will not be forced to reduce our prices and further reduce our margins, or that we will be able to compete effectively. Additionally, promotional activities can significantly increase net sales in the periods in which they are initiated and net sales can be adversely impacted in the periods after a promotion. Accordingly, based upon the timing of our marketing and promotional initiatives, we have and may continue to experience significant variability in our month- to- month results, which could affect our ability to formulate strategies that allow us to maintain our market presence across volatile months. If our monthly sales fluctuations obscure our ability to track important trends in our key markets, it may have a material adverse effect on our business, results of operations and financial condition. If we fail to **manage** ~~,and teamwork fostered by~~ our ~~culture,and our~~ business **and growth effectively,we** may be ~~materially and adversely affected~~ **unable to execute our business plan,maintain high levels of service or address competitive challenges adequately** .Our success will depend,in part,on our ability to manage our business and its growth,both domestically and internationally ~~,including the integration of KushCo following the merger~~ .Any growth in,expansion of,or shift in the focus of our business **,** is likely to continue to place a strain on our management and administrative resources,infrastructure and systems.As with other businesses,we expect that we will need to further refine and expand our business development capabilities,our systems and processes and our access to financing sources.We will also need to hire,train,supervise,and manage new employees.These processes are time consuming and expensive and will increase management responsibilities and divert management attention.We cannot assure that we will be able to:• optimize our product offerings effectively or efficiently or in a timely manner,if at all;• achieve expected synergies or other anticipated benefits;• allocate our human resources optimally;• meet our capital needs;• identify and hire qualified employees or ~~retain valued~~ retain ~~key retain~~ valued employees;• effectively incorporate the components of any business or product line that we may acquire in our effort to achieve growth;or • continue to grow our business.Our inability or failure to manage our business and its growth effectively could harm our business and materially adversely affect our operating results and financial condition.In addition,we believe that an important contributor to our success has been and will continue to be our corporate culture,which we believe fosters innovation,teamwork and a passion for our products and customers.As a result of our rapid growth,we may find it difficult to build and maintain our strong corporate culture,which could limit our ability to innovate and operate effectively.Any failure to preserve our culture could also negatively affect our ability to retain current and recruit **new** personnel ~~and hire~~ , ~~train~~ **continue to perform at current levels or execute on our business strategy. Management and employee turnover creates uncertainties and could harm our business. We have experienced significant turnover in our executive leadership in recent years. Changes to strategic or operating goals, which oftentimes occur with the appointment of new executives and board members, can create uncertainty, may negatively impact our ability to execute quickly and effectively, and may ultimately be unsuccessful. In addition, executive leadership transition periods are often difficult as the new executives gain detailed knowledge of our operations, and friction can result from changes in strategy and management style. Management turnover inherently causes some loss of institutional knowledge, which can negatively affect strategy and execution. Until we integrate new personnel, and unless they are able to succeed in their positions, we may be unable to successfully manage and grow our business, and our financial condition and profitability may suffer. Further, to the extent we experience additional management turnover, competition for top management is high and it may take months to find a candidate that meets our requirements. If we are unable to attract** and retain qualified ~~employees~~ **management personnel** , **our business** ~~we may not be able to compete effectively, which~~ could **suffer** ~~result in reduced revenue or increased costs. Our success is highly dependent on the continued services of key management and technical personnel. Our management and other employees may voluntarily terminate their employment at any time upon short notice. The loss of the services of any member of the senior management team, including our Chief Executive Officer, Nicholas Kovacevich; our Chief Financial Officer, William Mote; our Chief Operating Officer, Rodrigo de Oliveira; our General Counsel, Douglas Fischer; or any of the managerial or technical staff may significantly delay or prevent the achievement of product development, our growth strategies and other business objectives. Additionally, the recently announced departure of Adam Schoenfeld, our Chief Marketing Officer (effective March 31, 2022), may impede the achievement of our objectives~~ . Our future success will also depend on our ability to identify, recruit and retain additional qualified technical and managerial personnel. We operate in several geographic locations where labor markets are particularly competitive, where demand for personnel with these skills is extremely high and is likely to remain high. As a result, competition for qualified personnel is intense, particularly in the areas of general management, finance, engineering and science, and the process of hiring suitably qualified personnel is often lengthy and expensive and may become more expensive in the future. If we are unable to hire and retain a sufficient number of qualified employees, our ability to conduct and expand our business could be seriously reduced. Our failure to meet the continued listing...... or execute on our business strategy. The market for vaporizer products and related items is a niche market, subject to a great deal of uncertainty and is still evolving. Vaporizer products comprise a significant portion of our product portfolio. Many of these products have only recently been introduced to the market and are at an early stage of development. These products represent core components of a niche market that is evolving rapidly, is characterized by a number of market participants and is subject to regulatory oversight and a potentially fluctuating regulatory framework. Rapid growth in the use of, and interest in, vaporizer products is recent, and may not continue on a lasting basis. The demand and market acceptance for these products is subject to a high level of uncertainty, including, but not limited to, changes in governmental regulation, developments in product technology, perceived safety and efficacy of our products, perceived advantages of competing products and sale and use of materials that can be vaporized, including in the expanding legal state cannabis markets. For example, ~~recent~~ concerns about EVALI and youth use of vaporizers have, by some metrics, negatively impacted demand for vaporizers and led to laws and regulations restricting the sale of certain products in different markets. Therefore, we are subject to many of the business risks associated with a new enterprise in a niche market. Continued technical evolution, market uncertainty, evolving regulation and the resulting risk of failure of our new and existing product offerings in this market could have a material adverse effect on our ability to build and maintain market share and on our business, results of operations and financial condition. Further, there can be no assurance that we will be able to continue to compete effectively in this marketplace. We depend on third- party suppliers for our products and may experience supply shortages which could have a material adverse effect on our business. We depend on third- party suppliers for our vaporization products and consumption accessories product offerings. Our customers associate certain characteristics of our products, including the weight, feel, draw, flavor, packaging and other unique attributes, to the brands we market, distribute and sell. In the future, we may have difficulty obtaining the products we need from our suppliers as a result of unexpected demand or production difficulties that might extended lead times, as well as due to constraints relating to our low cash position. Also, products may not be available to us in quantities sufficient to meet our customer demand. Any interruption in supply and / or consistency of these products may adversely impact our ability to deliver products to our customers, may harm our relationships and reputation with our customers, and may have a material adverse effect on our business, results of operations and financial condition. Interruptions in supply or consistency of products could arise for a number of reasons, including but not limited to economic and civil unrest, **public health crises** ~~epidemics / pandemics, such as the coronavirus (COVID- 19)~~, embargoes, and sanctions. We may enter into new markets or lines of business that offer new products and services, or may expand existing lines of business, which may subject us to additional risks. From time to time, we may enter into new markets or lines of business that entail offering new products and services, or may expand existing lines of business. For example, our merger with KushCo significantly expanded our exposure to the leading MSOs and LPs, as well as a presence on the ~~West~~ **west** ~~Coast~~ **coast** ~~. In November 2021 we completed the acquisition of DaVinci, which further supplemented our existing vaporization product offerings~~. Our historical experience in these markets does not ensure that we will be able to successfully operate expended lines of business or will be successful in launching new products or entering new markets. In addition, external factors, such as competitive alternatives, potential conflicts of interest, either real or perceived, and shifting market preferences, in addition to our lack of experience with or knowledge of new lines of business or markets may impact our implementation, expansion and operation of new and existing lines of business. Other related risks include: • the potential diversion of management' s attention, available cash, and other resources from our existing businesses; • unanticipated liabilities or contingencies; • compliance with additional regulatory burdens; • potential damage to existing customer relationships, lack of customer acceptance or an inability to attract new customers; and • the inability to compete effectively in the new line or expanded line of business or in a new market. Failure to successfully manage these risks in the implementation, expansion or operation of new and existing lines of business and markets or the offering of new products or services could have a material adverse effect on our reputation, business, results of operations and financial condition. A significant percentage of our revenue is dependent on sales of products from a relatively small number of key suppliers, and a decline in sales of products from these suppliers could materially harm our business. A significant percentage of our revenue is dependent on sales of products, primarily vaporizers and related components, that we purchase from a small number of key suppliers, including CCELL, ~~PAX Labs, Grenco Science, and~~ Storz & Bickel **, Grenco Science and Davinci**. For example, products manufactured by CCELL represented approximately **39. 1 % and** 15. 2 ~~% and —~~ % of our net sales in the years ended December 31, **2022 and** 2021 ~~and 2020~~, respectively, and products manufactured by ~~PAX Labs~~ **Storz & Bickel** represented approximately ~~10~~ **5**. ~~7~~ **5** % and ~~14~~ **9**. ~~5~~ **6** % of our net sales in the years ended December 31, **2022 and** 2021 ~~and 2020~~, respectively. Products manufactured by Grenco Science represented approximately **4. 6 % and** 9. 0 ~~% and 13. 5~~ % of our net sales in the years ended December 31, **2022 and** 2021 ~~and 2020~~, respectively, and products manufactured by **Davinci** ~~Storz & Bickel~~ represented approximately ~~9~~ **4**. ~~6~~ **0** % and ~~12~~ **1**. ~~7~~ **5** % of our net sales in the years ended December 31, **2022 and** 2021 ~~and 2020~~, respectively. A decline in sales of any of our key suppliers' products, whether due to decreases in supply of, or demand for, their products, termination of our agreements with them, regulatory actions or otherwise, could have a material adverse impact on our sales and earnings and adversely affect our business. There is uncertainty related to the regulation of vaporization products and certain other consumption accessories. Increased regulatory compliance burdens, no matter how they arise, could have a material adverse impact on our business development efforts and our operations. ~~United States~~ There is uncertainty regarding whether, in what circumstances, how and when the FDA will seek to enforce the tobacco- related provisions of the Federal Food, Drug, and Cosmetic Act (" FFDCA") relative to vaporizer hardware and accessories that can be used to vaporize cannabis and other material, including electronic cigarettes, rolling papers and glassware, in light of the potential for dual use with tobacco. Through amendments to the FFDCA, the Tobacco Control Act established, by statute, that the FDA has oversight over specific types of tobacco products (cigarettes, cigarette tobacco, roll- your- own (" RYO ") tobacco, and smokeless tobacco) and granted the FDA the authority to " deem " other types of tobacco products as subject to the statutory requirements. In addition to establishing authority, defining key terminology, and setting adulteration and misbranding standards, the Tobacco Control Act established FDA' s authority over tobacco products in a number of areas such as: submission of health information to the FDA; registration with the FDA; premarket authorization requirements; good manufacturing practice requirements; tobacco product standards; notification, recall, corrections, and removals; records and reports; marketing considerations and restrictions; post- market surveillance and studies; labeling and warnings; and recordkeeping and tracking. Although the vast majority of our vaporizer products are not subject to these regulations because they are not intended for use with tobacco or nicotine, changes in law, regulation, or policy that subject a greater portion of our products to these regulations could occur. In a final rule effective August 8, 2016 (" Deeming Rule "), the FDA deemed all products that meet the Tobacco Control Act' s definition of " tobacco product, " including components and parts but excluding accessories, to be subject to the tobacco control requirements of the FFDCA and the FDA' s implementing regulations. Accordingly, as of the Deeming Rule' s effective date, deemed tobacco products that are " new " (i. e., those that were not commercially marketed in the United States as of February 15, 2007) are subject to the premarket authorization requirements. Deemed new tobacco products that remain on the market without authorization are marketed unlawfully. Deemed new tobacco products include, among other things: products such as electronic cigarettes, electronic cigars, electronic hookahs, vape pens, certain vaporizers and e- liquids and their components or parts (such as tanks, coils and batteries) (" ENDS "). The

FDA' s interpretation of components and parts of a tobacco product includes any assembly of materials intended or reasonably expected to be used with or for the human consumption of a tobacco product. In a 2017 decision of the D. C. Circuit court, the court upheld the FDA' s authority to regulate ENDS even though they do not actually contain tobacco, and even if the products could be used with nicotine- free e- liquids. The Tobacco Control Act and FDA' s implementation of regulations require regulatory approvals before certain products may be sold and restrict the way tobacco product manufacturers, retailers, and distributors can advertise and promote tobacco products, including a prohibition against free samples or the use of vending machines, requirements for presentation of warning information, and age verification of purchasers. Newly- deemed tobacco products are also subject to the other requirements of the Tobacco Control Act, such as that they not be adulterated or misbranded. The FDA has been directed under the Tobacco Control Act to establish specific good manufacturing practice (" GMP ") regulations for tobacco products, and could do so in the future, which could have a material adverse impact on the ability of some of our suppliers to manufacture, and the cost to manufacture, certain of our products. Even in the absence of specific GMP regulations, a facility' s failure to maintain sanitary conditions or to prevent contamination of products could result in the FDA deeming the products produced there adulterated. The FDA has announced its intention to take enforcement measures related to ENDS products offered for sale after September 9, 2020 **,** for which the manufacturers had not submitted a PMTA. Following that date, the FDA did in fact take actions against certain manufacturers of ENDS products for which a PMTA had not been submitted. Accordingly, and in light of the laws noted above, premarket authorizations will be necessary for us to continue our distribution of any vaporizer hardware and accessories that meet the FDA' s definition of ENDS. While we do not believe vaporizers intended for use with non- tobacco substances meet the FDA' s definition of ENDS, it is possible that the FDA could require premarket authorization for such products. Our suppliers who make vaporizers that are currently, or in the future become, subject to FDA regulation must timely file applications for the appropriate authorizations so that we may continue selling their products in the United States. We have no control over the content of those applications, and we have no assurances that the outcome of the FDA' s review will result in authorization of the marketing of these products. If the FDA establishes or applies review standards or processes that our suppliers are unable or unwilling to comply with, our business, results of operations, financial condition and prospects would be adversely affected. The anticipated costs to our suppliers of complying with future FDA regulations will be dependent on the rules issued by the FDA, the timing and clarity of any new rules or guidance documents accompanying these rules, the reliability and simplicity (or complexity) of the electronic systems utilized by the FDA for information and reports to be submitted, and the details required by the FDA for such information and reports with respect to each regulated product. Any failure to comply with existing or new FDA regulatory requirements could result in significant financial penalties to us or our suppliers, which could ultimately have a material adverse effect on our business, results of operations, financial condition and ability to market and sell our products. Compliance and related costs could be substantial and could significantly increase the costs of operating in the vaporization products and certain other consumption accessories markets. In addition, failure to comply with the Tobacco Control Act and with FDA regulatory requirements could result in litigation, criminal convictions or significant financial penalties and could impair our ability to market and sell some of our vaporizer products. At present, we are not able to predict whether the Tobacco Control Act will impact our business to a greater degree than competitors in the industry, thus affecting our competitive position. **As** ~~**Additionally, as**~~ discussed elsewhere in these Risk Factors and under the heading Regulatory Developments, ~~**the Consolidated Appropriations Act, 2021 expanded the range of products encompassed by the Prevent All Cigarette Trafficking Act (the" PACT Act") to include ENDS. This development could severely restrict our ability to ship many of the products we sell, as well as place costly regulatory burdens on such shipments. At the state level, over 25 states have implemented statewide regulations that prohibit vaping in public places. As discussed elsewhere in these Risk Factors and under the heading Regulatory Developments,**~~ a number of states and cities have ~~**also**~~ implemented bans or restrictions on the sale of vaporizers and accessories, as well as flavored tobacco products, including vaping liquids and menthol cigarettes. There may, in the future, also be increased regulation of additives in smokeless products and internet sales of vaporization products and certain other consumption accessories. The application of either or both of current federal, state, and local, laws, and of any new laws or regulations which may be adopted in the future at the federal, state, or local level, to vaporization products, consumption accessories or such additives could result in additional expenses and require us to change our advertising and labeling, and methods of marketing and distribution of our products, any of which could have a material adverse effect on our business, results of operations and financial condition. Canada On May 23, 2018, the Tobacco and Vaping Products Act (" TVPA ") became effective, and now governs the manufacture, sale, labeling and promotion of vaping products sold in Canada. The TVPA replaced the former Tobacco Act (Canada) and established a legislative framework that applies to vaping products, whether or not they contain nicotine. The TVPA prescribes high- level requirements in relation to vaping products, with regulations governing specific topics such as nicotine concentration and the promotion of vaping products. Other regulations remain forthcoming and there remains a high degree of uncertainty with respect to the compliance landscape for vaping products. As such, there can be no assurance that we will initially be in total compliance, remain competitive, or financially able to meet future requirements administered pursuant to the TVPA. Prior to the TVPA becoming effective, Health Canada had taken the position that electronic smoking products (i. e., electronic products for the vaporization and administration of inhaled doses of nicotine, including electronic cigarettes, cigars, cigarillos and pipes, as well as cartridges of nicotine solutions and related products) fell within the scope of the Food and Drugs Act (Canada) (" Food and Drugs Act "). Vaping products with therapeutic or health- related claims are subject to the Food and Drugs Act and related regulations **. Finally, the TVPA provides the authority to make regulations to collect information from industry about vaping products, their emissions and any research and development (e. g., sales data and information on market research, product composition, ingredients, materials, health effects, hazardous properties and brand elements). Health Canada is currently developing proposed regulations in this area** . On December 21, 2019, Health Canada issued a Regulatory Impact Analysis Statement titled "

Vaping Products Promotion Regulations. ” The Impact Analysis addressed two proposed new regulations that would place stricter limits on the advertising and promotion of nicotine vaping products and make health warnings on nicotine vaping products mandatory (the “ Proposed Regulations ”). The Proposed Regulations would: (1) prohibit the promotion of nicotine vaping products and nicotine vaping product- related brand elements by means of advertising that is done in a manner that can be seen or heard by youth, including the display of nicotine vaping products a points of sale where can be seen by youth; and (2) require that all nicotine vaping advertising convey a health warning about the health hazards of nicotine vaping product use. On July 1, 2020, Health Canada’ s “ Vaping Products Labeling and Packaging Regulations ” (the “ VPLPR ”) came into effect; requiring (1) all vaping products containing nicotine to display a standardized nicotine concentration statement and health warning about the addictiveness of nicotine; (2) products containing nicotine to be packaged in child- resistant containers and display a toxicity warning and first aid treatment statement; and (3) the display of a list of ingredients contained in the vaping substances, regardless of nicotine content. On July 14, 2020, Health Canada issued a guidance document on vaping products titled, “ Industry Guide to vaping products subject to the Canada Consumer Product Safety Act ” (the “ CCPA Guidance ”). The CCPA Guidance provided clarity on requirements under the Canada Consumer Product Safety Act (“ CCPSA ”) for vaping products that are manufactured, imported, advertised, or sold in Canada. The CCPA Guidance provided clarity on the requirements of the VPLPR and the authority of the CCPSA to address safety issues posed by a vaping product not marketed for therapeutic use or by a cannabis accessory (such as a vaporizer represented to be used in the consumption of cannabis) not marketed for a therapeutic use. In addition to federal regulations, several provinces, including Alberta, British Columbia, Nova Scotia, Ontario, Prince Edward Island (“ PEI ”), Quebec, and Saskatchewan, have passed regulations fully restricting or limiting the advertising and sales of certain types of nicotine vaping products. **Many provinces have focused their tobacco and vaping control efforts on retail access and have taken action to go beyond the minimum requirements in the TVPA. For example, Nova Scotia, Newfoundland and Labrador, and the Northwest Territories, have increased the minimum age of sale to 19.** Notably, in Prince Edward Island, as of March 1, 2020, the minimum age for purchasing nicotine products increased to age 21 **. In 2019. British Columbia** , **Saskatchewan,** and **Ontario limited the sales of flavored vaping products with exceptions for some flavors to specialty stores, whereas some provinces have banned flavored vaping products, with the exception of tobacco flavor (Nova Scotia and Prince Edward Island). By way of example,** on August 11, 2020, PEI adopted a regulation to ban the sale of all flavored vaping products, effective March 1, 2021. **Quebec is currently considering a ban on flavored products and effective as of March 25, 2022,** ~~Other~~ -- **the sale of flavored vapor products was banned in the Northwest Territories. Moreover, certain** provinces ~~continue~~ **(British Columbia, Newfoundland and Labrador, Saskatchewan, Quebec, Nova Scotia) have implemented an e- cigarette retail licensing system or have guidelines for retailers in order** to ~~review the~~ **prevent sales to minors (Alberta, British Columbia, Newfoundland and Labrador, Prince Edward Island, Saskatchewan). Finally, with** ~~prospect~~ - **respect to the taxation** of ~~adopting~~ **vaping products, the Canadian government introduced amendments to the Excise Act, 2001 to implement a** new ~~regulations addressing nicotine~~ **excise duty framework on** vaping products **. These amendments became law on June 23, 2022. The new framework applies to vaping products that are manufactured in Canada or imported, and that are intended for use in a vaping device in Canada. Manufacturers of vaping products are required to get a vaping product license from the Canada Revenue Agency (" CRA"). Importers are required to apply for registration from the CRA. Manufacturers and importers are also required to register for the vaping stamping regime. All vaping products entering the Canadian duty- paid market are required to be packaged with an excise stamp affixed to the product. The excise stamps shows that duties have been paid** . These developments, together with the passed and proposed federal and provincial regulations may have a material adverse effect on our business, results of operations, and financial condition. Europe Throughout Europe, several countries’ laws implementing the European Union Tobacco Products Directive (“ TPD ”) impose strict regulations on the approval, sale, and advertising of e- cigarettes. While we do not sell or market any material amount of products that we believe fall within the definition of e- cigarettes in Europe, if vaporization products we sell are found to fall within the scope of laws implementing the TPD, we would be unable to continue selling those products in certain countries, which may have a material adverse effect on our business, results of operations, and financial condition. We may be unable to identify or contract with new suppliers in the event of a disruption to our supply. In the event of a disruption to our supply of products, we would have to identify new suppliers that can meet our needs. ~~Such a disruption may occur for many reasons, including but not limited to the current COVID- 19 pandemic.~~ Only a limited number of suppliers may have the ability to produce certain products we sell at the volumes we need, and it could be costly or time- consuming to locate and approve such alternative sources. Moreover, it may be difficult or costly to find suppliers to produce small volumes of products in the event we are looking only to supplement our current supply as suppliers may impose minimum order requirements. In addition, we may be unable to negotiate pricing or other terms with our existing or new suppliers as favorable as those we currently enjoy. We cannot guarantee that a failure to adequately replace or supplement our existing suppliers would not have a material adverse effect on our business, results of operations and financial condition. Demand for the products we distribute could decrease if the trend of our suppliers selling products directly to consumers or retailers continues or accelerates. Retailers and consumers of vaporization products and consumption accessories have historically purchased certain amounts of these products directly from suppliers. Recently, direct to consumer sales of vaporization products and consumption accessories have accelerated, consistent with broader sales trends. If our customers were to increase their purchases of products directly from suppliers, or if suppliers further increase their efforts to sell such products directly to consumers or retailers, we could experience a significant decrease in our business, results of operations and financial condition. These, or other developments that remove us from, or limit our role in, the distribution chain, may harm our competitive position in the marketplace and reduce our sales and earnings and adversely affect our business. We are vulnerable to third- party transportation risks, including governmental laws and common carriers' policies that prevent the shipment of the types of products we sell. We depend on fast and efficient shipping services to distribute our products. Any prolonged disruption of these services may have a material adverse effect on our business, financial condition and results of operations. Rising costs associated with transportation services used by us to receive or deliver our products, including tariffs, as well as delays as a results of factors outside of our control ~~, including the COVID- 19 pandemic,~~ have had and may continue to have a material adverse effect on our business, financial condition and results of operations. The Consolidated Appropriations Act, 2021, which was signed into law on December 27, 2020, contains provisions that prohibit the mailing of ENDS through the United States Postal Service (" USPS ") and place certain regulatory requirements on shipment of ENDS through other carriers. Certain private carriers, including UPS and FedEx, also have policies restricting or prohibiting the shipment of certain vaporization products we sell, requiring us to occasionally rely upon smaller carriers that are more expensive and serve fewer geographic areas. Although we received USPS approval in December 2021 for a business and regulatory exception to the PACT Act (the " PACT Act Exception ") permitting us to ship ENDS to other PACT Act compliant businesses, there can be no assurances that we will be able to maintain the PACT Act Exception or that the USPS will not elect to rescind the PACT Act Exception. Additional legal or policy changes concerning the shipment of vaporizers could increase our costs materially and deprive us of our ability to timely deliver certain products to certain types of customers. Additionally, rising costs associated with transportation services used by us to receive or deliver our products (including tariffs) and prohibitions on the use of certain shipping services for specified products, may have a material adverse effect on our business, financial condition and results of operations. We do not have long- term agreements or guaranteed price or delivery arrangements with most of our suppliers. The loss of a significant supplier would require us to rely more heavily on our other existing suppliers or to develop relationships with new suppliers. Such a loss may have an adverse effect on our product offerings and our business. While we have long- term distribution agreements with certain of our suppliers, consistent with industry practice, we do not have guaranteed price or delivery arrangements with most of our suppliers. We generally make our purchases through purchase orders. As a result, we have experienced and may in the future experience inventory shortages or price increases on certain products. Furthermore, our industry occasionally experiences significant product supply shortages, and we sometimes experience customer order backlogs due to the inability of certain suppliers to make available to us certain products as needed. We cannot provide assurances that suppliers will maintain an adequate inventory of products to fulfill our orders on a timely basis, or at all, or that we will be able to obtain particular products on favorable terms, or at all. Additionally, we cannot provide assurances that product lines currently offered by suppliers will continue to be available to us. A decline in the supply or continued availability of the products of our suppliers, or a significant increase in the price of those products, could reduce our sales and negatively affect our operating results. In addition, some of our suppliers have the ability to terminate their relationships with us at any time, or to decide to sell, or increase their sales of, their products through other resellers or channels. Although we believe there are numerous suppliers with the capacity to supply the products we distribute, the loss of one or more of our major suppliers could have an adverse effect on our product offerings and our business. Such a loss would require us to rely more heavily on our other existing suppliers, develop relationships with new suppliers or undertake our own manufacturing, which may cause us to pay higher prices for products due to, among other things, a loss of volume discount benefits currently obtained from our major suppliers. Any termination, interruption or adverse modification of our relationship with a key supplier or a significant number of other suppliers would likely adversely affect our operating income, cash flow and future prospects. If we fail to maintain proper inventory levels, our business could be harmed. We often purchase key products from suppliers prior to the time we receive purchase orders from customers. We do this to minimize purchasing costs, the time necessary to fill customer orders, and the risk of non- delivery. However, we may be unable to sell the products we have purchased in advance. Inventory levels in excess of customer demand have previously and may in the future, result in inventory write- downs, and the sale of excess inventory at discounted prices could significantly impair our brand image and have a material adverse effect on our business, results of operations and financial condition. Conversely, if we underestimate demand for our products or if we fail to acquire the products that we require at the time we need them, we may experience inventory shortages. Inventory shortages might delay shipments to customers, reduce revenue, negatively impact customer relationships and diminish brand loyalty, which in turn could have a material adverse effect on our business, results of operations and financial condition. Certain of our suppliers provide us with incentives and other assistance that reduce our operating costs, and any decline in these incentives and other assistance could materially harm our operating results. Certain of our suppliers, including CCELL ~~, PAX Labs~~ and Storz & Bickel, provide us with trade credit or substantial incentives in the form of discounts, credits and cooperative advertising, among other benefits. We have agreements with some of our suppliers under which they provide us, or they have otherwise consistently provided us, with market price discounts to subsidize portions of our advertising, marketing and distribution costs based upon the amount of coverage we give to their respective products in our catalogs or other advertising and marketing mediums. Any termination or interruption of our relationships with one or more of these suppliers, or modification of the terms or discontinuance of our agreements or arrangements with these suppliers, could adversely affect our operating income and cash flow. For example, the incentives we receive from a particular supplier may be impacted by a number of events outside of our control, including acquisitions, divestitures, management changes or economic pressures affecting such supplier, any of which could materially affect or eliminate the incentives we receive from such supplier. Our success is dependent in part upon our ability to distribute popular products from new suppliers, as well as the ability of our existing suppliers to develop and market products that meet changes in market demand or regulatory requirements. Many of the products we sell are generally subject to rapid changes in marketplace demand and regulatory requirements. For example, recent laws and regulations have prohibited the sale of certain types of ENDS products that we previously sold. Our success is dependent, in part, upon the ability of our suppliers to develop and market products that meet these changes. Our success is also dependent on our ability to develop relationships with and sell products from new suppliers that address these changes in market demand or regulatory requirements. To the extent products that address recent changes are not available to us, or are not available to us in sufficient quantities or on acceptable terms, we could encounter increased competition, which would likely adversely affect our business, results of operations and financial condition. We may not be able to maintain existing supplier relationships or continue receiving favorable terms from our suppliers, which may affect our ability to offer a broad selection of products at competitive prices and negatively impact our results of operations. We purchase products for resale both directly from manufacturers and, on occasion, from other sources, all of whom we consider our suppliers. We also maintain certain exclusive or preferred relationships with several of our suppliers, which provide us with various benefits such as exclusive rights to distribute their products in certain geographic areas or sales channels, preferred pricing, training, support, preferred access and / or other significant benefits. In some cases, suppliers require us to meet certain minimum standards in order to retain these benefits, and in some instances, we have failed to achieve those minimum standards. If we do not maintain our existing relationships or terms, or if we fail to build new relationships with suppliers on acceptable terms, including our exclusive distribution rights, favorable pricing, manufacturer incentives or reseller qualifications, we may not be able to offer a broad selection of products or continue to offer products from these suppliers at competitive prices, or at all. From time to time, suppliers may be acquired by other companies, terminate our right to sell some or all of their products, modify or terminate our exclusive distributor or preferred distributor status, change the applicable terms and conditions of sale or reduce or discontinue the incentives or supplier consideration that they offer us. Any termination or reduction ~~of~~ of such terms by our major suppliers, or our failure to build new supplier relationships, could have a negative impact on our operating results. Further, some products may be subject to allocation by the supplier, which could limit the number of units of those products that are available to us and may adversely affect our operating results. We do not have long- term contracts with many of our customers. The agreements that we do have generally do not commit our customers to any minimum purchase volume. The loss of a significant customer may have a material adverse effect on us. Our customers generally place orders on an as- needed basis. Consistent with industry practice, we do not have long- term contracts with most of our customers, other than certain retail chains **or distributors** in Canada **and abroad** and certain state- licensed cannabis businesses in the United States. In addition, our agreements generally do not commit our customers to any minimum purchase volume. Accordingly, we are exposed to risks from potential adverse financial conditions in the vaporization products and consumption accessories industry, a potentially shifting legal landscape, the general economy, a competitive landscape, a changing technological landscape or changing customer needs or any other change that may affect the demand for our products. We cannot assure you that our customers will continue to place orders with us in similar volumes, on the same terms, or at all. Our customers may terminate their relationships with us or reduce their purchasing volume at any time. Our ten largest customers, in the aggregate, represented approximately **40. 7 % and** 21 ~~. 8 % and 9~~ . 8 % of our net sales for the years ended December 31, **2022 and** 2021 ~~and 2020~~ , respectively. The loss of a significant number of customers, or a substantial decrease in a significant customer' s orders, may have an adverse effect on our revenue. Changes in our customer, product or competition mix could cause our product margin and results of operations to fluctuate. From time to time, we may experience changes in our customer mix, our product mix or our competition mix. Changes in our customer mix may result from geographic expansion or contractions, mergers and acquisitions among our customer base, legislative, regulatory or enforcement priority changes affecting the products we distribute, selling activities within current geographic markets and targeted selling activities to new customer sectors. For example, our recent merger has shifted our customer mix to include a greater concentration of customers who engage in the cultivation, processing, and / or sale of cannabis. Changes in our product mix may result from marketing activities to existing customers, the needs of existing and prospective customers and from regulatory and legislative changes. Changes in our competition mix may result from well- financed competitors entering into our business segment or existing competitors growing their operations. If customer demand for lower- margin products increases and demand for higher- margin products decreases, our business, results of operations and financial condition may suffer. Because a material portion of our revenues are derived from sales to consumers indirectly through third- party retailers who operate traditional brick- and- mortar locations, the shift of sales to more online retail business could harm our market share and our revenues in certain sectors. Our current model for consumer goods includes selling our products through third- party retailers. These third- party retailers operate physical brick- and- mortar locations to sell our product to consumers. The current shift in purchasing demographics due to many factors ~~, including the COVID- 19 pandemic~~ and the changing preferences of consumers who are moving from in- store purchases to online purchases creates the additional risks of our current revenue streams being impacted negatively and an overall decrease of market share. We have ~~occasionally~~ experienced and may continue to experience difficulty collecting receivables. If our customers begin or continue to experience financial challenges, they may not have sufficient funds to pay all amounts owed to us. Additionally, laws in some jurisdictions in which we operate make collection of receivables difficult, time consuming or expensive. We generally do not require collateral in support of our trade receivables. While we maintain reserves for expected credit losses, we cannot assure these reserves will be sufficient to meet write- offs of uncollectible receivables or that our losses from such receivables will be consistent with our historical performance. Significant write- offs may affect our business, results of operations and financial condition. As we begin selling our products indirectly through large retailers, customer credit risks will expand. Our ability to distribute certain licensed brands and to use or license certain trademarks may be terminated or not renewed. We are reliant upon brand recognition in the markets in which we compete, as the industry is characterized by a high degree of brand loyalty and a reluctance of consumers to switch to substitute or unrecognizable brands. Some of the brands we distribute and the trademarks under which products are sold are licensed for a fixed period of time with regard to specified markets. In the event that the licenses to use the brand names and trademarks for the products we distribute are terminated or are not renewed after the end of the term, there is no guarantee we or our suppliers will be able to find suitable replacement brands or trademarks, or that if a replacement is found, that it will be on favorable terms. Any loss in brand- name appeal to our existing customers as a result of the lapse or termination of our licenses or the licenses of our suppliers could have a material adverse effect on our business, results of operations and financial condition. We may not be successful in maintaining the consumer brand recognition and loyalty of our products. We compete in a market that relies on innovation and the ability to react to evolving consumer preferences. The vaporization products and consumption accessories industry is subject to changing consumer trends, demands and preferences. Therefore, products once favored may, over time, become disfavored by consumers or no longer perceived as the best option. Consumers in the vaporizer market have demonstrated a degree of brand loyalty, but suppliers must continue to adapt their products in order to maintain their status among customers as the market evolves. Our continued success depends in part on our ability and our supplier' s ability to continue to differentiate the brand names we represent, own or license and maintain similarly high levels of recognition with target consumers. Trends within the vaporization products and consumption accessories industry change often and our failure to anticipate, identify or react to changes in these trends could, among other things, lead to reduced demand for our products. Factors that have previously and may continue to affect consumer perception of our products include health trends and attention to health concerns associated with ~~tobacco, nicotine,~~ herbs, oils, cannabis or other materials used with vaporizers, price- sensitivity in the presence of competitors' products or substitute products and trends in favor of new vaporization products or technology consumption accessories products that are currently being researched and produced by participants in our industry. For example, in recent years, we have witnessed a shift in consumer purchases from vaporizers designed for dry herbs to those designed for liquids or wax type concentrates. A failure to react to similar trends in the future could enable our competitors to grow or establish their brands' market share in these categories before we have a chance to respond. Regulations have recently been and are likely to continue to be enacted in the future that would make it more difficult to appeal to consumers or to leverage the brands that we distribute, own or license. Furthermore, even if we are able to continue to distinguish our products, there can be no assurance that the sales, marketing and distribution efforts of our competitors will not be successful in persuading consumers of our products to switch to their products. Some of our competitors have greater access to resources than we do, which better positions them to conduct market research in relation to branding strategies or costly marketing campaigns. Any loss of consumer brand loyalty to our products or in our ability to effectively brand our products in a recognizable way will have a material effect on our ability to continue to sell our products and maintain our market share, which could have a material adverse effect on our business, results of operations and financial condition. We may not be able to establish sustainable relationships with large retailers or regional or national chains. In connection with efforts to enter new sales channels, including large retailers and chains, we may have to pay slotting fees based on the number of stores in which our products will be carried. We may not be able to develop these relationships or continue to maintain relationships with large retailers or national chains. Our inability to develop and sustain relationships with large retailers and chains may impede our ability to develop brand and product recognition and increase sales volume and, ultimately, require us to continue to rely on local and more fragmented sales channels, which may have a material adverse effect on our business, results of operations and financial condition. In addition, if we are unable to develop or maintain relationships with large retailers and national chains and such large retailers or chains take market share from the smaller local and more fragmented sales channels, our business, results of operations and financial condition will be adversely impacted. New products face intense media attention and public pressure. Many of our vaporizers and other products are new to the marketplace. Since their introduction, certain members of the media, politicians, government regulators and advocacy groups, including independent doctors, have called for and driven the adoption of stringent regulation of the sale of certain products and in some cases, an outright ban of such products pending increased regulatory review and a further demonstration of safety. For example, local and state governments have banned certain types of vaporization products, such as those containing flavored liquid nicotine and flavored hemp- derived CBD. Additional bans of this type would likely have the effect of terminating our sales and marketing efforts of certain products in jurisdictions in which we may currently market or have plans to market such products. Such bans would also likely cause public confusion as to which products are the subject of bans, which confusion could also have a material adverse effect on our business, results of operations and financial condition. Our success depends, in part, on the quality and safety of our products, as well as the perception of quality and safety in the vaporization products and consumption accessories industry generally. Our success depends, in part, on the quality and safety of the products we sell, including manufacturing issues, health concerns about the substances consumed using the products we sell, and unforeseen product misuse. Even a single incident of product defect or misuse, whether relating to products sold by us or just to our industry generally, could result in significant harm to our reputation. For example, incidents of EVALI have, by some metrics, negatively impacted demand for vaporizers. If any of our products are found to be, or are perceived to be, defective or unsafe, or if they otherwise fail to meet our customers' standards, our relationship with our customers could suffer, our reputation or the appeal of our brands could be diminished, and we could lose market share and / or become subject to liability claims, any of which could result in a material adverse effect on our business, results of operations and financial condition. Damage to our reputation, or that of any of our key suppliers or their brands, could affect our business performance. The success of our business depends in part upon the positive image that consumers have of the third- party brands we distribute. Incidents, publicity or events arising accidentally or through deliberate third- party action that harm the integrity or consumer support of the products we sell could affect the demand for those products. Unfavorable media, whether accurate or not, related to our industry, to us, to our customers, or to the products we sell could negatively affect our corporate reputation, stock price, ability to attract high- quality talent, or the performance of our business. ~~For example, JUUL Labs has been the subject of significant negative publicity.~~ Additional negative publicity or commentary on social media outlets also could cause consumers to react rapidly by avoiding our products and brands or by choosing brands offered by our competitors, which could have a material adverse effect on our business, results of operations and financial condition. We are subject to substantial and increasing regulation regarding the ~~tobacco and~~ vaporization ~~industries~~ **industry** . In addition to the FDA regulations concerning ~~tobacco and~~ vaporizer products discussed elsewhere in this Annual Report on Form 10- K, we are subject to regulation by numerous other federal agencies, including the Federal Trade Commission, the Alcohol and Tobacco Tax and Trade Bureau, the Federal Communications Commission, the U. S. Environmental Protection Agency, the U. S. Department of Agriculture, U. S. Customs and Border Protection and the U. S. Center for Disease Control and Prevention' s Office on Smoking and Health. There have also been adverse legislative and political decisions and other unfavorable developments concerning cigarette smoking and the tobacco industry, which have received widespread public attention. There can be no assurance as to the ultimate content, timing or effect of any regulation of **vaporizer** ~~tobacco or nicotine~~ products by governmental bodies, nor can there be any assurance that potential corresponding declines in demand resulting from negative media attention would not have a material adverse effect on our business, results of operations and financial condition. ~~Some of the products we sell contain nicotine, which is considered to be a highly- addictive substance, or other chemicals that some jurisdictions have determined to cause cancer and birth defects or other reproductive harm. Some of our products, like the JUUL nicotine vaporizers, contain nicotine, a chemical that is considered to be highly addictive. The Tobacco Control Act empowers the FDA to regulate the amount of nicotine found in tobacco products (including vaporizers), but not to require the reduction of nicotine yields of a tobacco product to zero; similar legislation in Canada empowers the Canadian government and provincial governments to limit the amount of nicotine in tobacco and vaporizer products. In addition, the State of California has determined that some chemicals found in certain vaporizers, as well as materials frequently consumed by using vaporizers (such as cannabis), cause cancer and birth defects or other reproductive harm. New federal, state or provincial regulations, whether of nicotine levels or other product attributes, may require us to recall and / or discontinue certain of the products we sell, which may have a material adverse effect on our ability to market our products and have a material adverse effect on our business, results of operations and financial condition.~~ Significant increases in state and local regulation of our vaporizer products have been proposed and enacted, and are likely to continue to be proposed and enacted in numerous jurisdictions. As discussed under the heading" Regulatory Developments" above, there has been increasing activity on the state, provincial and local levels with respect to scrutiny of vaporizer products. State and local governmental bodies across the United States have indicated that vaporization products and certain other consumption accessories may become subject to new laws and regulations at the state and local levels. For example, in January 2015, the California Department of Health declared electronic cigarettes and certain other vaporizer products a health threat that should be strictly regulated like tobacco products. Further, many states and cities have enacted regulations that require retailers to obtain a tobacco retail license in order to sell electronic cigarettes and vaporizer products. Many states, provinces and some cities have passed laws restricting the sale of electronic cigarettes and certain other vaporizer products. If one or more states or provinces from which we generate or anticipate generating significant sales of vaporizer products bring actions that prevent us from selling certain or all of our vaporizer products, we would be required to cease sales and distribution of certain products to those states, which could have a material adverse effect on our business, results of operations and financial condition. Additionally, if one or more states or provinces from which we generate or anticipate generating significant sales of vaporizer products bring actions that require us to obtain certain licenses, approvals or permits, and if we are not able to obtain the necessary licenses, approvals or permits for financial reasons or otherwise and / or any such license, approval or permit is determined to be overly burdensome to us, then we may be required to cease sales and distribution of our products to those states, which could have a material adverse effect on our business, results of operations and financial condition. Certain states, provinces and cities have already restricted the use of electronic cigarettes and vaporizer products in smoke free venues. Additional city, state, provincial or federal regulators, municipalities, local governments and private industry may enact rules and regulations restricting the use of electronic cigarettes and vaporizer products in those same places where cigarettes cannot be smoked. Because of these restrictions, our customers may reduce or otherwise cease using our vaporization products or certain other consumption accessories, which could have a material adverse effect on our business, results of operations and financial condition. The Canadian federal government, as well as certain provincial governments have passed or propose to pass legislation which will restrict the extent to which e- cigarettes, e- liquid and other vaping products may be displayed or sold. Additionally, Canadian laws require health warnings to be placed on certain vaporizer products, which could reduce the appeal of these products. These regulations and future regulations could have a material adverse effect on our business, results of operations and financial condition. Based on regulations surrounding health- related concerns related to the use of some of our vaporizer products, possible new or increased taxes by government entities intended to reduce use of our products or to raise revenue, additional governmental regulations concerning the marketing, labeling, packaging or sale of some of our products, negative publicity resulting from actual or threatened legal actions against us or other companies in our industry, all may reduce demand for, or increase the cost of, certain of our products, which could adversely affect our profitability and ultimate success. ~~Public health epidemics, pandemics or outbreaks, including the ongoing COVID- 19 pandemic, the recent spread of the Delta variant and Omicron variants and measures intended to prevent their spread, could materially and adversely affect our business. Public health epidemics, pandemics or outbreaks, and the resulting business or economic disruptions resulting therefrom, could adversely impact our business as well as our ability to raise capital. In December 2019, COVID- 19 was identified in Wuhan, China. The virus has been declared a pandemic by the World Health Organization. The impact of this pandemic has been and will likely continue to be extensive in many aspects of society, which has resulted in and will likely continue to result in significant disruptions to the global economy, as well as businesses and capital markets around the world. The extent to which COVID- 19, the recent spread of the Delta and Omicron variants, impacts our business will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the duration, spread and intensity of the pandemic, the timing and effectiveness of vaccines and other treatments, possible resurgences in COVID- 19 cases, and the duration of government measures to mitigate the pandemic, all of which are uncertain and difficult to predict. COVID- 19 has and will likely continue to result in social, economic and labor instability in the countries in which we or the third parties with whom we engage operate. While we cannot presently predict the scope and severity of any potential business shutdowns or disruptions, if we or any of the third parties with whom we engage, including the suppliers, manufacturers and other third parties in our global supply chain, were to experience shutdowns or other significant business disruptions, our ability to conduct our business in the manner presently planned could be materially and negatively impacted. For example, our Higher Standards stores in California and New York were closed for several months in 2020 as a result of COVID- 19. The COVID- 19 pandemic has also caused, and is likely to continue to cause, severe economic, market and other disruptions worldwide. We cannot assure~~

~~you that conditions in the bank lending, capital and other financial markets will not deteriorate as a result of the pandemic, or that our access to capital and other sources of funding will not become constrained, which could adversely affect the availability and terms of future borrowings, renewals or refinancings. Adverse U. S., Canadian and global economic conditions could materially and adversely our business, prospects, results of operations, financial condition or cash flows. Our business and operations are sensitive to global economic conditions. These conditions include interest rates, energy costs, inflation, international trade relationships, recession, fluctuations in debt and equity capital markets and the general condition of the U. S., Canadian and global economies. A material decline in the economic conditions affecting consumers, such as the initial downturn in the global economy due to COVID- 19 and uneven economic recovery since, which cause a reduction in disposable income for the average consumer, may change consumption patterns, and may result in a reduction in spending on vaporization products and consumption accessories or a switch to cheaper products or products obtained through illicit channels. Many of our products are relatively new to the market and may be regarded by consumers as a novelty item and expendable. As such, demand for our vaporizer products may be particularly sensitive to economic conditions such as inflation, recession, high energy costs, unemployment, changes in interest rates and money supply, changes in the political environment and other factors beyond our control, any combination of which could result in a material adverse effect on our business, results of operations and financial condition.~~ Our business depends partly on continued purchases by businesses and individuals selling or using cannabis pursuant to state laws in the United States or Canadian and provincial laws. Because some of our B2C customers use some of the items that we sell to consume cannabis and some of our B2B customers operate in the legal national and state cannabis industry, our business depends partly on federal, state, provincial and local laws, regulations, guidelines and enforcement pertaining to cannabis. In both the United States and Canada, those factors are in flux. Currently, in the United States, ~~44~~ **47** states and the District of Columbia permit some form of cannabis cultivation, sales, and use for certain medical purposes (" medical states "). ~~Eighteen~~ **Twenty- one** of those states and the District of Columbia have also legalized cannabis for adults for non- medical purposes (sometime referred to as recreational use). Several medical states may extend legalization to adult use. States' cannabis programs have proliferated and grown even though the cultivation, sale and possession of cannabis is considered illegal under U. S. federal law. Under the CSA, cannabis is a Schedule I drug, meaning that the Drug Enforcement Administration recognizes no accepted medical use for cannabis, and the substance is considered illegal under federal law. In an effort to provide guidance to U. S. Attorneys' offices regarding the enforcement priorities associated with cannabis in the United States, the U. S. Department of Justice (the " DOJ ") has issued a series of memoranda detailing its suggested enforcement approach. During the administration of former President Obama, each memorandum acknowledged the DOJ' s authority to enforce the CSA in the face of state laws, but noted that the DOJ was more committed to using its limited investigative and prosecutorial resources to address the most significant threats associated with cannabis in the most effective, consistent, and rational way. On August 29, 2013, the DOJ issued what came to be called the " Cole Memorandum, " which gave U. S. Attorneys the discretion not to prosecute federal cannabis cases that were otherwise compliant with applicable state law that had legalized medical or adult- use cannabis and that have implemented strong regulatory systems to control the cultivation, production, and distribution of cannabis. The eight federal priorities were preventing: • The distribution of cannabis to minors; • Revenue from the sale of cannabis from going to criminal enterprises, gangs, and cartels; • The diversion of cannabis from states where it is legal under state law in some form to other states; • State- authorized cannabis activities from being used as a cover or pretext for the trafficking of other illegal drugs or other illegal activity; • Violence and the use of firearms in the cultivation and distribution of cannabis; • Drugged driving and exacerbation of other adverse public health consequences associated with cannabis use; • Growing cannabis on public lands and the attendant public safety and environmental dangers posed by cannabis production on public lands; and • Cannabis possession or use on federal property. Accordingly, the Cole Memorandum provided lawful cannabis- related enterprises a tacit federal go- ahead in states with legal cannabis programs, provided that the state had adopted and was enforcing strict regulations and oversight of the medical or adult- use cannabis program in accordance with the specific directives of the Cole Memorandum. On January 4, 2018, Attorney General Jeff Sessions issued a memorandum that rescinded previous DOJ guidance on the state legal cannabis industry, including the Cole Memorandum. Attorney General Sessions wrote that the previous guidance on cannabis law enforcement was unnecessary, given the well- established principles governing federal prosecution that are already in place. As a result, federal prosecutors could and still can use their prosecutorial discretion to decide whether to prosecute even state- legal cannabis activities. Since the Cole Memorandum was rescinded, however, U. S. Attorneys have generally refrained from prosecuting state law compliant marijuana businesses. Current Attorney General Merrick Garland during his confirmation hearings expressed that" It does not seem to me useful the use of limited resources that we have to be pursuing prosecutions in states that have legalized and are regulating the use of marijuana, either medically or otherwise." Since December 2014, companies that are strictly complying with state medical cannabis laws have been protected against enforcement for that activity by an amendment (originally called the Rohrabacher- Blumenauer Amendment, now called the Joyce Amendment) to the Omnibus Spending Bill, which prevents federal prosecutors from using federal funds to impede the implementation of medical cannabis laws enacted at the state level. Federal courts have interpreted the provision to bar the DOJ from prosecuting any person or entity in strict compliance with state medical cannabis laws. While the protection of the Joyce Amendment prevents prosecutions of state law compliant medical cannabis activities, it does not make cannabis legal. The protection of the Joyce Amendment depends on its continued inclusion in the federal omnibus spending bill, or in some other legislation, and entities' strict compliance with the state medical cannabis laws. ~~That protection has been extended through September 30, 2021 through recent appropriations bill.~~ While industry observers expect Congress to extend the protection in future Omnibus Spending Bills, there can be no assurance that it will do so. Although several cannabis law reform bills are pending in the U. S. Congress, passage of any of them and ultimately the Biden Administration' s support and approval remain uncertain. Unless and until the U. S. Government changes the law with respect to cannabis, and particularly if Congress does not extend the protection of state medical cannabis programs, there is a risk that federal authorities could enforce current federal cannabis law. An increase in federal enforcement against companies licensed under state cannabis laws would negatively impact the state cannabis industries and, in turn, our revenues, profits, financial condition, and business model. On April 13, 2017, the Government of Canada introduced Bill C- 45, which proposed the enactment of the Cannabis Act to legalize and regulate access to cannabis. The Cannabis Act proposed a strict legal framework for controlling the production, distribution, sale and possession of medical and recreational adult- use cannabis in Canada. On June 21, 2018, the Government of Canada announced that Bill C-45, received Royal Assent. On July 11, 2018, the Government of Canada published the Cannabis Regulations under the Cannabis Act. The Cannabis Regulations provide more detail on the medical and recreational regulatory regimes for cannabis, including regarding licensing, physical security requirements, product practices, outdoor growing, security, packaging and labelling (including for cannabis accessories), cannabis- containing drugs, document retention requirements, reporting and disclosure requirements, the new access to cannabis for medical purposes regime and industrial hemp. The majority of the Cannabis Act and the Cannabis Regulations came into force on October 17, 2018; additional Cannabis Regulations took effect on October 17, ~~2017~~ **2019 . As of December 2022, the Minister of Health and the Minister of Mental Health and Addictions has launched the legislative review of the Cannabis Act. The review is being conducted by a five- member independent, expert panel, who will report their final conclusions and advice to the Ministers by Spring 2024. In addition, Health Canada announced that amendments to the Cannabis Act and its regulations concerning cannabis research and testing. Notably, these amendments increase the public possession limit for cannabis beverages to a level that is similar to other forms of cannabis, such as solid edible cannabis products (i. e. gummies or chocolate) and the amendments change how Health Canada regulates non- therapeutic cannabis research with human participants. As for proposed amendments, Health Canada is proposing amendments to the Cannabis Regulations to protect public health and safety, in particular by protecting young persons and others from inducements to use inhaled cannabis extracts. The proposed amendments would restrict the production, sale, promotion, packaging, or labelling of inhaled cannabis extracts with certain flavors, other than the flavor of cannabis** . While the Cannabis Act provides for the regulation by the federal government of, among other things, the commercial cultivation and processing of cannabis for recreational purposes, it provides the provinces and territories of Canada with the authority to regulate with respect to the other aspects of recreational cannabis, such as distribution, sale, minimum age requirements, places where cannabis can be consumed, and a range of other matters. The governments of every Canadian province and territory have implemented regulatory regimes for the distribution and sale of cannabis for recreational purposes. In most provinces and territories, the minimum age is 19 years old, except for Québec ~~and Alberta~~ , where the minimum age is 18. Certain provinces, such as Ontario, have legislation in place that restricts the packaging of vapor products and the manner in which vapor products are displayed or promoted in stores. The Cannabis Act is a relatively new regime that has no close precedent in Canadian law. The effect of relevant governmental authorities' administration, application and enforcement of their respective regulatory regimes and delays in obtaining, or failure to obtain, applicable regulatory approvals which may be required may significantly delay or impact the development of markets, products and sales initiatives and could have a material adverse effect on our business, financial condition and results of operations. The federal and state regulatory landscape regarding products containing hemp- derived CBD and other cannabinoids is uncertain and evolving, and new or changing laws or regulations relating to hemp and hemp- derived products could have a material adverse effect on our business, financial condition and results of operations. In December 2018, the U. S. government changed the legal status of hemp and its derivatives, including hemp- derived CBD and other cannabinoids. The 2018 Farm Bill, which was signed into law by former President Trump on December 20, 2018 (Pub. L. 115- 334), established a new framework for the regulation of hemp production (defined in the Farm Bill as Cannabis sativa L. with a THC concentration of not more than 0. 3 percent on a dry weight basis) and extracts of hemp, including CBD. The law also removed hemp and extracts of hemp from the federal controlled substances schedules. The section of the Farm Bill establishing a framework for hemp production, however, makes clear explicitly that it does not affect or modify the United States Federal Food, Drug, and Cosmetic Act (the " FDCA "), section 351 of the Public Health Service Act (addressing the regulation of biological products), the authority of the Commissioner of the FDA under those laws, or the Commissioner' s authority to regulate hemp production and sale under those laws. Since passage of the Farm Bill, the FDA has expressed multiple times its position that any cannabis product, whether derived from hemp or otherwise, marketed with a disease claim (e. g., a claim of therapeutic benefit or disease prevention) must be approved by the FDA for its intended use through one of the drug approval pathways prior to it being introduced into interstate commerce. The FDA has also repeatedly stated its position that introducing food or dietary supplements with added CBD (or THC), regardless of source, into interstate commerce is illegal under the FDCA. Although enforcement under the FDCA may be civil or criminal in nature, the FDA has thus far limited its recent enforcement against companies selling CBD products to warning letters alleging various violations of the FDCA, including that the products bear claims that render the products unapproved and misbranded new drugs, that CBD is excluded from the FDCA' s definition of " dietary supplement, " and that the FDCA prohibits the addition of CBD to food. The FDA also tested some of the products, and found that many did not contain the levels of CBD they claimed to contain, which could be the basis for a separate violation of the FDCA. In addition, some states have taken actions to restrict or prohibit the sale of CBD products under state law. **On January 26, 2023, the FDA issued a statement that after careful review, the FDA concluded that a new regulatory pathway for CBD is needed that balances individuals' desire for access to CBD products with the regulatory oversight needed to manage risks.** The **agency is prepared to work with Congress on this matter** ~~FDA has signaled that it will likely issue further guidance and / or issue regulations concerning CBD products, although the contents and timing of such guidance and regulations remain unknown~~ . We currently distribute **very limited** products containing hemp- derived CBD and other cannabinoids. Although the Farm Bill removed hemp and its derivatives from the definition of " marijuana " under the CSA, uncertainties remain regarding the cultivation, sourcing, production and distribution of hemp and products containing hemp derivatives. Certain states prohibit the sale of all or certain types of products containing hemp. The laws and regulations of states that permit the sale of products containing hemp derivatives, such as CBD, impose various requirements, including requirements to obtain certain permits or licenses, related to the marketing, packaging, safety, and sale of products containing hemp derivatives. These laws and regulations are rapidly developing. We may have to quickly adapt our operations to comply with forthcoming and rapidly- shifting federal and state regulations. These regulations could require significant changes to our business, plans or operations concerning hemp- derived products, and could adversely affect our business, financial condition or results of operations. Additionally, while we believe our current operations with respect to hemp derived products such as CBD comply with existing federal and state laws relating to hemp and hemp- derived products in all material respects, legal proceedings alleging violations of such laws could have a material adverse effect on our business, financial condition and results of operations. We are subject to legislative uncertainty that could slow or halt the legalization and use of cannabis, which could materially and adversely affect our business. Continued development of the cannabis industry is dependent upon continued legislative authorization of cannabis at the state level, as well as the U. S. government' s continued non- enforcement of federal cannabis laws against state- law- compliant cannabis businesses. Any number of factors could slow or halt progress in this area. Further, progress, while generally expected, is not assured. Well- funded interests, including businesses in the tobacco, alcohol beverage and the pharmaceutical industries, may have a strong economic opposition to the continued legalization of cannabis. The pharmaceutical industry, for example, is well funded with a strong and experienced lobby that eclipses the funding of the cannabis movement. Any inroads legalization opponents could make in halting the impending cannabis industry could have a detrimental impact on our business. While there may be ample public support for legislative action, numerous factors impact the legislative process. Any one of those factors could slow or halt the continued legalization and use of cannabis, which would negatively impact our business. While we believe that our business and sales do not violate the Federal Paraphernalia Law, legal proceedings alleging violations of such law or changes in such law or interpretations thereof could materially and adversely affect our business, financial condition or results of operations. Under U. S. Code Title 21 Section 863 (the " Federal Paraphernalia Law "), the term " drug paraphernalia " means " any equipment, product or material of any kind which is primarily intended or designed for use in manufacturing, compounding, converting, concealing, producing, processing, preparing, injecting, ingesting, inhaling, or otherwise introducing into the human body a controlled substance. " That law exempts " (1) any person authorized by local, State, or Federal law to manufacture, possess, or distribute such items " and " (2) any item that, in the normal lawful course of business, is imported, exported, transported, or sold through the mail or by any other means, and traditionally intended for use with tobacco products, including any pipe, paper, or accessory. " Any nonexempt drug paraphernalia offered or sold by any person in violation of the Federal Paraphernalia Law can be subject to seizure and forfeiture upon the conviction of such person for such violation, and a convicted person can be subject to fines under the Federal Paraphernalia Law and even imprisonment. We believe our sales do not violate the Federal Paraphernalia Law in any material respect. First, we understand that a substantial majority of the products we offer and sell were and are not primarily intended or designed for any purpose not permitted by the Federal Paraphernalia Law. Indeed, many of the manufacturers whose products we sell disclaim that the products are for use with cannabis. Second, we restrict the sale of certain products — those that may have been primarily intended or designed for use with cannabis — to comply with the Federal Paraphernalia Law' s exemption for sales authorized by state law. In particular, we (a) do not sell those products at all into the ~~six~~ states that have maintained complete or near complete cannabis prohibition and (b) limit the sale of those products to licensed cannabis businesses, such as dispensaries, cultivators, and manufacturers, in the ~~nine~~ states that authorize sales of cannabis paraphernalia only through state- licensed cannabis businesses. Third, we have been in business for many years without facing even threatened legal action under the Federal Paraphernalia Law. While we believe that our business and sales are legally compliant with the Federal Paraphernalia Law in all material respects, any legal action commenced against us under such law could result in substantial costs and could have an adverse impact on our business, financial condition or results of operations. In addition, changes in cannabis laws or interpretations of such laws are difficult to predict, and could materially and adversely affect our business. Officials of the U. S. Customs and Border Protection agency (" CBP ") have broad discretion regarding products imported into the United States, and the CBP has on occasion seized imported products on the basis that such products violate the Federal Paraphernalia Law. While we believe the products that we import do not violate such law, any such seizure of the products we sell could have a material adverse effect on our business operations or our results of operations. Officials of the CBP have broad discretion regarding products imported into the United States. Individual shipments of imported products we distribute, as well as similar products, have been detained or seized by the CBP for a variety of reasons, including because the CBP officials inspecting the goods believed such goods were marketed as drug paraphernalia and therefore violated the Federal Paraphernalia Law. Although we and other suppliers or distributors of such products have at times successfully contested such actions of the CBP, such challenges are costly and time consuming. While we would disagree with any conclusion of the CBP that our product sales violate the Federal Paraphernalia Law, we cannot give any assurance that the CBP will not make additional seizures of our imports, or that if the CBP seizes any of our goods that the CBP would not seek to impose penalties related to such imports. Should we elect to contest any such seizure, the costs of doing so could be substantial and there are no assurances we would prevail in a contested proceeding. Additionally, the cost and / or results of any such contest could adversely impact our business, financial condition or results of operations. Additionally, if the CBP fails to release seized products, we may no longer be able to ensure a sellable supply of some of our products, which could have a material adverse impact on our business, financial condition and results of operations. Because our business is dependent, in part, upon continued market acceptance of cannabis by consumers, any negative trends could materially and adversely affect our business, financial conditions or results of operations. We are dependent on public support, continued market acceptance and the proliferation of consumers in the legal cannabis markets. While we believe that the market and opportunity in the space continue to grow, we cannot predict the future growth rate or size of the market. Any downturns in, or negative outlooks on, the cannabis industry may materially and adversely affect our business and financial condition. We and our customers may have difficulty accessing the service of banks, which may make it difficult for us and for them to sell our products. Financial transactions involving proceeds generated by cannabis- related activities can form the basis for prosecution under the U. S. federal money laundering statutes, unlicensed money transmitter statutes and the U. S. Bank Secrecy Act. Guidance issued by the Financial Crimes Enforcement Network (" FinCEN ") clarifies how financial institutions can provide services to cannabis- related businesses consistent with their obligations under the Bank Secrecy Act. Furthermore, since the rescission by former U. S. Attorney General Jeff Sessions on January 4, 2018 of the Cole Memorandum, U. S. federal prosecutors have had greater discretion when determining whether to charge institutions or individuals with any of the financial crimes described above based upon cannabis- related activity. As a result, given these risks and their own related disclosure requirements, many banks remain hesitant to offer banking services to cannabis- related businesses. Consequently, those businesses involved in the cannabis industry continue to encounter difficulty establishing banking relationships. Indeed, we have been asked to close bank accounts due to our activity in the cannabis industry. We may become unable maintain stable banking relationships, which would create significant challenges in operating our business, increase our operating costs, pose additional operational, logistical and security challenges, and result in our inability to implement our business plan. Additionally, if our more significant customers to are unable maintain their current banking relationships, we might not be able to continue transacting with such customers. Our payments system and the payment systems of our customers depend on third- party providers and are subject to evolving laws and regulations. We and our retail customers have engaged third- party service providers to perform underlying credit and debit card processing, currency exchange, identity verification and fraud analysis services. If these service providers do not perform adequately or if our relationships, or the relationships of our retail customers with these service providers, were to terminate, our ability or the ability of such retail customers to process payments could be adversely affected and our business would be harmed. The laws and regulations related to payments are complex and are potentially impacted by tensions between federal and state treatment of the vaporization, tobacco, nicotine and cannabis industries. These laws and regulations also vary across different jurisdictions in the United States, Canada and globally. As a result, we are required to spend significant time and effort to comply with those laws and regulations. Any failure or claim of our failure to comply, or any failure by our third- party service providers to comply, could cost us substantial resources, could result in liabilities, or could force us to stop offering our customers the ability to pay with credit cards, debit cards and bank transfers. As we expand the availability of these payment methods or offer new payment methods to our customers in the future, we may become subject to additional regulations and compliance requirements. Further, through our agreement with our third- party credit card processors, we are indirectly subject to payment card association operating rules and certification requirements, including restrictions on product mix and the Payment Card Industry Data Security Standard, 02 PCIDSS. We also are subject to rules governing electronic funds transfers. Any change in these rules and requirements could make it difficult or impossible for us to comply. Due to our acceptance of credit cards in our e- commerce business, we are subject to the Payment Card Industry Data Security Standard, designed to protect the information of credit card users. We have had a security incident in the past, which we do not believe reached the level of a breach, that would be reportable under state laws or our other obligations; however there can be no assurance that our determination was correct. In the event our determination is challenged and found to have been incorrect, we may be subject to claims by one or more state attorney generals, federal regulators, or private plaintiffs and we may additionally be subject to claims or fines from credit associations. We are subject to certain U. S. federal regulations relating to cash reporting. The U. S. Bank Secrecy Act, enforced by FinCEN, a division of the U. S. Department of the Treasury, requires a party in trade or business to file with the U. S. Internal Revenue Service (the " IRS ") a Form 8300 report within 15 days of receiving a cash payment of over $ 10, 000. While we receive very few cash payments for the products we sell, if we fail to comply with these laws and regulations, the imposition of a substantial penalty could ~~have a material adverse effect on our business, results of operations and financial condition. Increases in tobacco- related taxes, which at times apply to vaporizers not used with tobacco or nicotine, have been proposed or enacted and are likely to continue to be proposed or enacted in numerous jurisdictions. Tobacco products, premium cigarette papers and tubes have long been subject to substantial federal, state, provincial and local excise taxes. Such taxes have frequently been increased or proposed to be increased, in some cases significantly, to fund various legislative initiatives or further disincentivize smoking. In addition to federal excise taxes, every state and certain city and county governments have imposed substantial excise taxes on sales of tobacco and vaporization products, and many have raised or proposed to raise excise taxes in recent years. Tax increases, depending on their parameters, may result in consumers switching between vaporizer products or depress overall vaproizer sales, which is likely to result in declines in overall sales volumes in certain of our products. Any future enactment of increases in federal, provincial or state excise taxes on tobacco or vaporizer products or rulings that certain of our products should be categorized differently for excise tax purposes could adversely affect demand for our products and may~~ have a material adverse effect on our business, results of operations and financial condition. If countries, states, and provinces continue the trend of imposing, expanding, and increasing taxes on vaporizer products, it could materially and adversely affect our business. Supply to our customers is sensitive to increased sales taxes and economic conditions affecting their disposable income. Discretionary consumer purchases, such as of vaporization products and consumption accessories, may decline during recessionary periods or at other times when disposable income is lower and taxes may be higher. As discussed under" Regulatory Developments" above, the sale of vaporization products and certain other consumption accessories is, in certain jurisdictions, subject to federal, state, provincial and local excise taxes like the sale of conventional cigarettes or other tobacco products, all of which generally have high tax rates and have faced significant increases in the amount of taxes collected on their sales. Other jurisdictions are contemplating similar legislation and other restrictions on electronic cigarettes and certain other vaporizer products. Should federal, state, provincial and local governments and / or other taxing authorities continue to impose excise taxes similar to those levied against conventional cigarettes and tobacco products on vaporization products or consumption accessories, it may have a material adverse effect on the demand for those products, as consumers may be unwilling to pay the increased costs, which in turn could have a material adverse effect on our business, results of operations and financial condition. We could be required to collect additional sales taxes or be subject to other tax liabilities that may increase the costs our B2C customers would have to pay for our product offering, which could materially and adversely affect our operating results. An increasing number of states have considered or adopted laws that attempt to impose tax collection obligations on out- of- state companies. Additionally, the Supreme Court of the United States recently ruled in South Dakota v. Wayfair, Inc. et al, or Wayfair, that online sellers can be required to collect sales and use tax despite not having a physical presence in the buyer' s state. In response to Wayfair, or otherwise, states or local governments may adopt, or begin to enforce, laws requiring us to calculate, collect, and remit taxes on sales in their jurisdictions. A successful assertion by one or more states requiring us to collect taxes where we presently do not do so, or to collect more taxes in a jurisdiction in which we currently do collect some taxes, could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest. The imposition by state governments or local governments of sales tax collection obligations on out- of- state sellers could also create additional administrative burdens for us, put us at a competitive disadvantage if they do not impose similar obligations on our competitors and decrease our future sales, which could have a material adverse impact on our business, financial condition and results of operations. We may become involved in regulatory or agency proceedings, investigations, prosecutions, and audits. Our business, and the businesses of the suppliers from which we acquire products we sell, requires compliance with many laws and regulations in many jurisdictions globally across multiple product categories and regulatory regimes. Failure to comply with these laws and regulations could subject us or such suppliers to regulatory or agency proceedings, investigations, or prosecutions, and could also lead to damage awards, fines and penalties. We or such suppliers may become involved in a number of government proceedings, investigations and audits. The outcome of any government proceedings, investigations, prosecutions, audits, and other contingencies could harm our reputation or the reputations of the brands that we sell, require us to take, or refrain from taking, actions that could harm our operations or require us to pay substantial amounts of money, harming our financial condition. There can be no assurance that any pending or future regulatory or agency proceedings, investigations and audits will not result in substantial costs or a diversion of management' s attention and resources or have a material adverse impact on our business, financial condition and results of operations. We are subject to increasing international control and regulation. The World Health Organization' s Framework Convention on Tobacco Control (" FCTC ") is the first international public health treaty that establishes a global agenda to reduce initiation of tobacco use and regulate tobacco in an effort to encourage tobacco cessation. Over 170 governments worldwide have ratified the FCTC, including Canada. The FCTC has led to increased efforts to reduce the supply of and demand for tobacco products and to encourage governments to further regulate the tobacco industry. The tobacco industry and others expect significant regulatory developments to take place over the next few years, driven principally by the FCTC. If the United States ratifies the FCTC and / or national laws are enacted in the United States that reflect the major elements of the FCTC, our business, results of operations and financial condition could be materially and adversely affected. In addition, if any of our vaporization products or consumption accessories become subject to one or more of the significant regulatory initiatives proposed under the FCTC or any other international treaty, our business, results of operations and financial condition may also be materially adversely affected. We currently distribute products across Canada and Europe, in addition to distributing certain products in select international markets. As part of our strategy, we anticipate further international expansions. Future expansions may subject us to additional or increasing international regulation, either by that country' s legal requirements or through international regulatory regimes, such as the FCTC, to which those countries may be signatories. Countries' laws implementing the European Union Tobacco Products Directive (" TPD ") impose strict regulations on the approval, sale, and advertising of e- cigarettes. Although we do not sell or market any material quantities of products classified as e- cigarettes in Europe, countries could enact new laws implementing the TPD or other laws or regulations that re- classify and / or restrict the products we may sell or market in Europe. Any future measures that limit our ability to market or sell vaporization products or other consumption accessories in Europe may have a material adverse effect on our business, results of operations, and financial condition. To the extent our existing or future products become subject to international regulatory regimes that we are unable to comply with or fail to comply with, they may have a material adverse effect on our business, results of operations and financial condition. Changes in our credit profile may affect our relationship with our suppliers, which could have a material adverse effect on our liquidity. Changes in our credit profile may affect the way our suppliers view our ability to make payments and may induce them to shorten the payment terms of their invoices. Given the large dollar amounts and volume of our purchases from suppliers, a change in payment terms may have a material adverse effect on our liquidity and our ability to make payments to our suppliers and, consequently, may have a material adverse effect on us. We face intense competition and may fail to compete effectively. The vaporization products and consumption accessories industry is characterized by brand recognition and loyalty, with product quality features, price, marketing and packaging constituting the primary methods of competition. Substantial marketing support, merchandising display, competitive pricing and other financial incentives generally are required to introduce a new brand or to improve or maintain a brand' s market position. Our principal competitors may be significantly larger than us and aggressively seek to limit the distribution or sale of our products. Competition in the vaporization products and consumption accessories industry is particularly intense, and the market is highly fragmented. In addition, some competitors still have the ability to access sales channels through the mail or major parcel carriers, which is no longer available to us and may place us at a competitive disadvantage. " Big tobacco " and other well- resourced competitors are continuing to establish its presence in the vaporization products and consumption accessories market. There can be no assurance that our products will be able to compete successfully against these companies or any of our other competitors, some of which have far greater resources, capital, experience, market penetration, sales and distribution channels than us. In addition, if large online retailers such as Amazon establish their presence in the vaporization products and consumption accessories market, our sales through both our direct to consumer e- commerce channel and our business- to- business wholesale channel may be harmed. Competitors, including " big tobacco " and large online retailers, may also have more resources than us for advertising, which could have a material adverse effect on our ability to build and maintain market share, and thus have a material adverse effect on our business, results of operations and financial condition. We experience variability in our net sales and net income on a quarterly basis as a result of many factors. We experience variability in our net sales and net income on a quarterly basis as a result of many factors. These factors include: • the relative mix of vaporization products and consumption accessories sold during the period; • the general economic environment and competitive conditions, such as pricing; • the timing of procurement cycles by our customers; • seasonality in customer spending and demand for products we provide; • variability in supplier programs; • the introduction of new and upgraded products; • changes in prices from our suppliers; • changes to our strategy; • trade show attendance; • promotions; • the loss or consolidation of significant suppliers or customers; • our ability to control costs; • the timing of our capital expenditures; • the condition of our industry in general and our customers specifically; • regulatory developments that limit or expand the products we may sell, or the manner in which those products may be transported; • any inability on our part to obtain adequate quantities of products; • delays in the release by suppliers of new products and inventory adjustments; • delays in the release of imported products by customs authorities; • our expenditures on new business ventures and acquisitions; • performance of acquired businesses; • adverse weather conditions, natural disasters, pandemics, or other events that affect supply or customer response; • distribution or shipping to our customers; and • geopolitical events. Our planned operating expenditures each quarter are based on sales forecasts for the quarter. If our sales do not meet expectations in any given quarter, our operating results for that quarter may be materially adversely affected. Our narrow margins may magnify the impact of these factors on our operating results. We believe that period- to- period comparisons of our operating results are not necessarily a good indication of our future performance. In addition, our results in any quarterly period are not necessarily indicative of results to be expected for a full fiscal year. In future quarters, our operating results may be below the expectations of public market analysts or investors and, as a result, the market price of our Class A common stock could be materially adversely affected. Product defects could increase our expenses, damage our reputation or expose us to liability. We may not be able to adequately address product defects. Product defects in vaporizers and other accessories may harm the health or safety of our end- consumers. In addition, remedial efforts could be particularly time- consuming and expensive if product defects are only found after we have sold the defective product in volume. Any actual or perceived defects in our products could result in unsold inventory, product recalls, repairs or replacements, damage to our reputation, increased customer service costs and other expenses, as well as divert management attention and expose us to liabilities. Furthermore, a product liability claim brought against us by our customers or end- consumers could be time- consuming and costly to defend and, if successful, could require us to make significant payments. Contamination of, or damage to, our products could adversely impact sales volume, market share and profitability. Our market position may be affected through the contamination of our products, as well as the material used during the manufacturing processes of the products we sell, or at different points in the entire supply chain. For example, we have previously detected low levels of contaminants in certain extraction gasses sold by us. We keep significant amounts of inventory of our products in warehouses and it is possible that this inventory could become contaminated prior to arrival at our premises or during the storage period. If contamination of our inventory or packaged products occurs, whether as a result of a failure in quality control by us or by one of our suppliers, we may incur significant costs in replacing the inventory and recalling products. We may be unable to meet customer demand and may lose customers who purchase alternative brands or products. In addition, consumers may lose confidence in the affected product. Under the terms of our contracts, we generally impose requirements on our suppliers to maintain quality and comply with product specifications and requirements, and with all federal, state and local laws. Our suppliers, however, may not continue to produce products that are consistent with our standards or that are in compliance with applicable laws, and we cannot guarantee that we will be able to identify instances in which our suppliers fail to comply with our standards or applicable laws. A loss of sales volume from a contamination event may occur, and such a loss may affect our ability to supply our current customers and to recapture their business in the event they are forced to switch products or brands, even if on a temporary basis. We may also be subject to legal action as a result of a contamination, which could result in negative publicity and affect our sales. During this time, our competitors may benefit from an increased market share that could be difficult and costly to regain. Such a contamination event could have a material adverse effect on our business, results of operations and financial condition. We may not have adequate insurance for potential liabilities, including liabilities arising from litigation. In the ordinary course of business, we have and in the future may become the subject of various claims, lawsuits and governmental proceedings seeking damages or other remedies concerning our commercial operations, the products we distribute, our employees and other matters, including potential claims by individuals alleging injury or other harm caused by the products we distribute. Some of these claims may relate to the activities of businesses that we have acquired, even though these activities may have occurred prior to our acquisition of the businesses. The products we distribute may contain lithium ion or similar type batteries that can explode or release hazardous substances. In addition, defects in the products we distribute could result in death, personal injury, property damage, pollution, release of hazardous substances or damage to equipment and facilities. Actual or claimed defects in the products we distribute may give rise to claims against us for losses and expose us to claims for damages. We maintain insurance to cover certain of our potential losses, and we are subject to various self- retentions, deductibles and caps under our insurance. We face the following risks with respect to our insurance coverage: • we may not be able to continue to obtain insurance on commercially reasonable terms; • we may incur losses from interruption of our business that exceed our insurance coverage; • we may be faced with types of liabilities that will not be covered adequately or at all by our insurance; • our insurance carriers may not be able to meet their obligations under the policies; or • the dollar amount of any liabilities may exceed our policy limits. Even a partially uninsured claim, if successful and of significant size, could have a material adverse effect on us. Finally, even in cases where we maintain insurance coverage, our insurers may raise various objections and exceptions to coverage that could make uncertain the timing and amount of any possible insurance recovery. Due to our position in the supply chain of vaporization products and consumption accessories, we are subject to personal injury, product liability and environmental claims involving allegedly defective products. Our customers use certain products we distribute in potentially hazardous applications that can result in personal injury, product liability and environmental claims. A catastrophic occurrence at a location at which consumers use the products we distribute may result in our company being named as a defendant in lawsuits asserting potentially large claims, even though we did not manufacture such products or even if such products were not used in the manner recommended by the manufacturer. Applicable law may render us liable for damages without regard to negligence or fault. Certain of these risks are reduced by the fact that we are, in many instances, a distributor of products that third- party manufacturers produce, and, thus, in certain circumstances, we may have third- party warranty or other claims against the manufacturer of products alleged to have been defective. However, there is no assurance that these claims could fully protect us or that the manufacturer would be financially able to provide protection. There is no assurance that our insurance coverage will be adequate to cover the underlying claims. Our insurance does not provide coverage for all liabilities (including liability for certain events involving pollution or other environmental claims). We may become subject to significant product liability litigation. The tobacco and e- cigarette industries have experienced and continue to experience significant product liability litigation and other claims, such as those related to marketing of tobacco and e- cigarettes to minors. As a result of their relative novelty, electronic cigarette, vaporizer product and other consumption product manufacturers, suppliers, distributors and sellers have only recently become subject to litigation. While we have not been a party to any product liability litigation, several lawsuits have been brought against other manufacturers and sellers of smokeless products for injuries to health allegedly caused by use of smokeless products. We may be subject to similar claims in the future relating to our vaporizer products. We may also be named as a defendant in product liability litigation against one of our suppliers by association, including in class action lawsuits. In addition, we may see increasing litigation over our vaporizer products or the regulation of our products as the regulatory regimes surrounding these products develop. For example, California' s Proposition 65 (" Prop 65 ") requires the State of California to identify chemicals that could cause cancer, birth defects, or reproductive harm, and businesses selling products in California are then required to warn consumers of any possible exposure to the chemicals on the list. The State of California and private plaintiffs have been active in enforcing Prop 65 against companies in the tobacco, nicotine, cannabis, and vaporization industries. We may face substantial costs due to increased product liability litigation relating to new regulations or other potential defects associated with our vaporizer and other consumption products, including litigation arising out of faulty devices or improper usage, which could have a material adverse effect on our business, results of operations and financial condition. There can be no assurances that we will be able to obtain or maintain product liability insurance on acceptable terms or with adequate coverage against potential liabilities. Such insurance is expensive and may not be available in the future on acceptable terms, or at all. The inability to obtain sufficient insurance coverage on reasonable terms or to otherwise protect against potential product liability claims could prevent or inhibit the commercialization of products. The scientific community has not yet extensively studied the long- term health effects of the use of vaporizers, electronic cigarettes or e- liquids products. Vaporizers, electronic cigarettes and related products were recently developed and therefore the scientific community has not had a sufficient period of time to study the long- term health effects of their use. Currently, there is no way of knowing whether these products are safe for their intended use. If the scientific community were to determine conclusively that use of any or all of these products poses long- term health risks, market demand for these products and their use could materially decline. Such a determination could also lead to litigation and significant regulation. Loss of demand for our product, product liability claims and increased regulation stemming from unfavorable scientific studies on these products could have a material adverse effect on our business, results of operations and financial condition. Reliance on information technology means a significant disruption could affect our communications and operations. We increasingly rely on information technology systems for our internal communications, controls, reporting and relations with customers, vendors and suppliers, and information technology is becoming a significantly important tool for our sales staff. Our marketing and distribution strategy is dependent upon our ability to closely monitor consumer and market trends on a highly specified level, for which we are reliant on our sophisticated data tracking systems, which are susceptible to disruption or failure. For example, we experienced interruptions in our ability to accept and fulfill customer orders during the implementation of our new enterprise resource planning (" ERP") system. In addition, our reliance on information technology exposes us to cyber- security risks, which could have a material adverse effect on our ability to compete. Security and privacy breaches may expose us to liability and cause us to lose customers, or may disrupt our relationships and ongoing transactions with other entities with whom we contract throughout our supply chain. The failure of our information systems to function as intended, or the penetration by outside parties intent on disrupting business processes, could result in significant costs, loss of revenue, assets or personal or other sensitive data and reputational harm. Internet security poses a risk to our e- commerce sales. At present, we generate a portion of our sales through e- commerce sales on our own websites and fulfillment activities through third- party websites. We manage our websites and e- commerce platform internally and, as a result, any compromise of our security or misappropriation of proprietary information could have a material adverse effect on our business, results of operations and financial condition. We rely on encryption and authentication technology licensed from third parties to provide the security and authentication necessary to effect secure Internet transmission of confidential information, such as credit and other proprietary information. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments may result in a compromise or breach of the technology used by us to protect client transaction data. Anyone who is able to circumvent our security measures could misappropriate proprietary information or cause material interruptions in our operations. We may be required to expend significant capital and other resources to protect against security breaches or to minimize problems caused by security breaches. To the extent that our activities or the activities of others involve the storage and transmission of proprietary information, security breaches could damage our reputation and expose us to a risk of loss and / or litigation. Our security measures may not prevent security breaches. Our failure to prevent these security breaches may result in consumer distrust and may adversely affect our business, results of operations and financial condition. Security and privacy breaches may expose us to liability and cause us to lose customers. Federal, provincial and state laws require us to safeguard our customers' financial information, including credit information, as well as our employees' information. Although we have established security procedures to protect against identity theft and the theft of information of our customers, distributors, consumers, and employees, our security and testing measures may not prevent security breaches and breaches of privacy may occur, which would harm our business. Typically, we rely on encryption and authentication technology licensed from third parties to enhance transmission security of confidential information in relation to financial and other sensitive information that we have on file. Advances in computer capabilities, new discoveries in the field of cryptography, inadequate facility security or other developments may result in a compromise or breach of the technology used by us to protect customer data. Any compromise of our security could harm our reputation or financial condition and therefore, our business. In addition, a party who is able to circumvent our security measures or exploit inadequacies in our security measures, could, among other effects, misappropriate proprietary information, cause interruptions in our operations or expose customers and other entities with which we interact to computer viruses or other disruptions. Actual or perceived vulnerabilities may lead to claims against us. To the extent the measures we have taken prove to be insufficient or inadequate, we may become subject to litigation or administrative sanctions, which could result in significant fines, penalties or damages and harm to our reputation. If the methodologies of ~~Internet~~ **internet** search engines are modified, traffic to our websites and corresponding consumer origination volumes could decline. We depend in part on various ~~Internet~~ **internet** search engines, including Google ® and others to direct a significant amount of traffic to our websites. Our ability to maintain the number of visitors directed to our websites by search engines through which we distribute our content is not entirely within our control. Our competitors' search engine optimization (" SEO ") efforts may result in their websites receiving a higher search result page ranking than ours, or Internet search engines could revise their methodologies, which could adversely affect the placement of our search result page ranking. If search engine companies modify their search algorithms in ways that are detrimental to our consumer growth or in ways that make it harder for our customers to access or use our websites, or if our competitors' SEO efforts are more successful than ours, our consumer engagement and number of consumers could decline. Any reduction in the number of consumers directed to our websites could negatively affect our ability to earn revenue. If traffic on our websites declines, we may need to employ more costly resources to replace lost traffic, and such increased expense could adversely affect our business, results of operations and financial condition. We are a holding company and depend upon our subsidiaries for our cash flow. We are a holding company. Our subsidiaries conduct all of our operations and own substantially all of our tangible assets. Consequently, our cash flow and our ability to meet our obligations or to make other distributions in the future will depend upon the cash flow of our subsidiaries and our subsidiaries' payment of funds to us in the form of distributions, dividends, tax sharing payments or otherwise. The ability of our subsidiaries to make any payments to us will depend on their earnings and cash flow, the terms of their current and future indebtedness, tax considerations and legal and contractual restrictions on their ability to make distributions. Our subsidiaries are separate and distinct legal entities. Any right that we have to receive any assets of or distributions from any of our subsidiaries upon the bankruptcy, dissolution, liquidation or reorganization, or to realize proceeds from the sale of their assets, will be junior to the claims of that subsidiary' s creditors, including trade creditors and holders of debt that the subsidiary issued. Our intellectual property may be infringed and we may be unable to secure or maintain all the intellectual property required to sell all of our offerings. We currently rely on trademark and other intellectual property rights to establish and protect the brand names and logos we own or license on the products we distribute. Third parties have in the past infringed, and may in the future infringe, on these trademarks and our other intellectual property rights. Our ability to maintain and further build brand recognition is dependent on the continued use of these trademarks, service marks and other proprietary intellectual property, including the names and logos we own or license. Despite our attempts to ensure these intellectual property rights are protected, third parties may take actions that could materially and adversely affect our rights or the value of this intellectual property. Any litigation concerning our intellectual property rights or the intellectual property rights of our suppliers, whether successful or unsuccessful, could result in substantial costs to us and diversions of our resources. Expenses related to protecting our intellectual property rights or the intellectual property rights of our suppliers, the loss or compromise of any of these rights or the loss of revenues as a result of infringement could have a material adverse effect on our business, results of operations and financial condition, and may prevent the brands we own or license, or are owned or licensed by our suppliers, from growing or maintaining market share. There can be no assurance that any trademarks or common marks that we own or license, or are owned or licensed by our suppliers, will not be challenged in the future, invalidated or circumvented or that the rights granted thereunder or under licensing agreements will provide us or our suppliers competitive advantages. We are dependent on the validity, integrity and intellectual property of our suppliers and their efforts to appropriately register, maintain and enforce intellectual property in all jurisdictions in which their products are sold. We devote significant resources to the registration and protection of our trademarks and to anti- counterfeiting efforts. Despite these efforts, we regularly discover products that infringe on our proprietary rights or that otherwise seek to mimic or leverage our intellectual property or the intellectual property of our suppliers. Counterfeiting and other infringing activities typically increase as brand recognition increases, especially in markets outside the United States and Canada. Counterfeiting and other infringement of our intellectual property could divert away sales, and association of our brands with inferior counterfeit reproductions or third party labels could adversely affect the integrity and reputation of our brands. Although we currently hold a number of patents on our products, we generally rely on patents on the products of our suppliers as well as their efforts in successfully defending third- party challenges to such products. Third parties have in the past infringed, and may in the future infringe, on our patents and our suppliers' patents. Our ability to maintain and enforce our patent rights, and the ability of our suppliers, licensors, collaborators and manufacturers to maintain and enforce their patent rights, against third- party challenges to their validity, scope or enforceability plays an important role in determining our future. There can be no assurances that we will ever successfully file or receive any patents in the future, and changes in either the patent laws or in interpretations of patent laws in the United States or other countries may diminish the value of the intellectual property rights of the products we distribute, license or own. Accordingly, we cannot predict with any certainty the range of claims that may be allowed or enforced concerning the products that we sell. In addition, there can be no assurance that standard intellectual property confidentiality and assignment agreements with employees, consultants and other advisors will not be breached, that we will have adequate remedies for any breach, or that our trade secrets will not otherwise become known to or independently developed by competitors. Furthermore, there can be no assurance that our efforts to protect our intellectual property will prevent others from unlawfully using our trademarks, trade secrets, copyrights and other intellectual property. Our success depends in part, on our continued ability to maintain our intellectual property and those of our suppliers, and to protect our trade secrets. An inability to continue to preserve and protect our intellectual property would likely have a material adverse effect on our business, results of operations and financial condition. We are subject to the risks of exchange rate fluctuations. Currency movements and suppliers' price increases relating to currency exchange rates are significant factors affecting our cost of sales. Many of our products are purchased from suppliers located in foreign countries and we make payments for our products in numerous currencies. Thus, we bear certain foreign exchange rate risk for certain of our inventory purchases. In addition, we recently expanded our footprint in Canada and Europe, and as part of our strategy, we may undertake further international expansion. As a result, in the future, we may be more sensitive to the risks of exchange rate fluctuations, which may have a material adverse effect on our business, results of operations and financial condition. There are conflicts of interest among ~~our officers, directors and stockholders. Certain~~ **certain** of our executive officers and ~~directors and their affiliates~~ **our stockholders. Certain of our executive officers** are engaged in other activities and have interests in other entities on their own behalf or on behalf of other persons. Neither we, nor our stockholders will have any rights in these ventures or their income or profits. Specifically, we sold $ 0. ~~1~~ **4** million and $ 0 **. 2 million** in products and supplies to Unrivaled Brands Inc. (" Unrivaled") in the years ended December 31, **2022 and** 2021 **, respectively. Total gross accounts receivable due from Unrivaled were approximately $ 0. 4 million** and **$ 0. 4 million as of December 31,** ~~2020~~ **2022 and 2021** , respectively. Nicholas Kovacevich, our Chief ~~Executive~~ **Corporate Development** Officer, and **a member of** ~~Dallas Imbimbo, who serves on~~ our Board **until January 6** , ~~are~~ **2023 is an** ~~investors~~ - **investor** in Unrivaled and **a** ~~members~~ - **member** of its board of directors ~~. Adam Schoenfeld, our Chief Marketing Officer and Board Director, has a significant ownership interest in one of our customers, Universal Growing. Net sales to Universal Growing for the years ended December 31, 2021 and 2020 totaled $ 0. 2 million and $ 0. 1 million, respectively. Additionally, as described above, in December 2021 we entered into the Bridge Loan with Aaron LoCascio, our co- founder, former Chief Executive Officer and President, and a current director of the Company. The Bridge Loan is secured by a continuing security interest in all of our assets and properties whether then or thereafter existing or required, including our inventory and receivables (as defined under the Universal Commercial Code) and includes negative covenants restricting our ability to incur further indebtedness and engage in certain asset dispositions until the earlier of June 30, 2022 or the Bridge Loan has been fully repaid~~ . While we are not aware of any conflict that has arisen or any transaction that has not been conducted on an arm' s length basis to date ~~and the Bridge Loan was approved by the Audit Committee of the Board~~ , ~~Messrs~~ **Mr** . Kovacevich ~~, Imbimbo and LoCascio~~ may have conflicting fiduciary duties between us, Unrivaled and ~~their~~ **his** own personal financial interests, for which ~~they~~ **he** must recuse ~~themselves~~ **himself** from certain of our decision- making processes. We do not allow a conflicted shareholder, director or executive officer to vote on matters wherein a conflict may be perceived. The conflicted person or entity is not allowed to nominate an alternate person to vote for them either. Other than this safeguard, we do not current have any policy in place, should such a conflict arise. In particular: • our executive officers or directors or their affiliates may have an economic interest in, or other business relationship with, entities that compete in the same businesses as us; and • our executive officers or directors or their affiliates have interests in entities that we sell products or services to. In any of these cases: • our executive officers or directors may have a conflict between our current interests and their personal financial and other interests in another business venture; • our executive officers or directors may have conflicting fiduciary duties to us and the other entity; and • the terms of transactions with the other entity may not be subject to arm' s length negotiations and therefore may be on terms less favorable to us than those that could be procured through arm' s length negotiations. ~~If we were to default on the Bridge Loan, Aaron LoCascio, our former Chief Executive Officer and President and a current director, could foreclose on our assets. As described above, the Bridge Loan is secured by a continuing security interest in all of our assets and properties, including our inventory and receivables, and restricts our ability to incur further indebtedness and engage in certain asset dispositions until the Bridge Loan has been fully repaid. In the event that we were to default on this debt and Aaron LoCascio foreclosed on our assets, we would be unable to continue our operations as they are presently conducted, if at all. Our aggregate total debt to Mr. LoCascio under the Bridge Loan at December 31, 2021 was $ 8. 0 million. See" Note 6 — Debt" of the Notes to Consolidated Financial Statements included in Part II, Item 8 of this Form 10- K for further discussion of the Bridge Loan.~~ We are required to comply with laws and regulations in other countries and are exposed to business risks associated with our international operations. For the years ended December 31, **2022 and** 2021 ~~and 2020~~ , we derived **7. 8 % and** 12. **1** ~~3 % and 20. 8~~ %, respectively, of our net sales from outside the United States, primarily in Canada and certain European countries. As a result, we are subject to numerous evolving and complex laws and regulations which apply, among other things, to financial reporting standards, corporate governance, data privacy, tax, trade regulations, export controls, competitive practices, labor, health and safety laws, laws regarding controlled substances, laws regarding drug paraphernalia, and regulations in each jurisdiction in which we operate. We are also required to obtain permits and other authorizations or licenses from governmental authorities for certain of our operations and we or our suppliers' must protect our intellectual property worldwide. In the jurisdictions in which we operate, we need to comply with various standards and practices of different regulatory, tax, judicial and administrative bodies. There are a number of risks associated with international business operations, including political instability (e. g., the threat of war, terrorist attacks or civil unrest), inconsistent regulations across jurisdictions, unanticipated changes in the regulatory environment, and import and export restrictions. Any of these events may affect our employees, reputation, business or financial results as well as our ability to meet our objectives, including the following international business risks: • negative economic developments in economies around the world and the instability of governments, or the downgrades in the debt ratings of certain major economies; • social and political instability; • complex regulations governing certain of our products; • potential terrorist attacks; • adverse changes in governmental policies, especially those affecting trade, tariffs and investment; • foreign currency exchange, particularly with respect to the Canadian Dollar, Euro, British Pound Sterling and Australian Dollar; and • threats that our operations or property could be subject to nationalization and expropriation. We may not be in full compliance at all times with the laws and regulations to which we are subject. Likewise, we may not have obtained or may not be able to obtain the permits and other authorizations or licenses that we need. If we violate or fail to comply with laws, regulations, permits, labor, health and safety regulations or other authorizations or licenses, we could be fined or otherwise sanctioned by regulators. In such a case, or if any of these international business risks were to materialize, our business, results of operations and financial condition could be adversely affected. New tariffs and the evolving trade policy dispute between the United States and China may adversely affect our business. On August 14, 2017, then President Trump instructed the U. S. Trade Representative (" USTR ") to determine under Section 301 of the U. S. Trade Act of 1974 (the " Trade Act ") whether to investigate China' s laws, policies, practices or actions that may be unreasonable or discriminatory and that may be harming American intellectual property rights, innovation or technology development. On March 22, 2018, based upon the results of its investigation, the USTR published a report finding that the acts, policies and practices of the Chinese government are unreasonable or discriminatory and burden or restrict U. S. commerce. On March 8, 2018, President Trump imposed significant tariffs on steel and aluminum imports from a number of countries, including China. Subsequently, the USTR announced an initial proposed list of 1, 300 goods imported from China that could be subject to additional tariffs and initiated a dispute with the World Trade Organization against China for alleged unfair trade practices. On June 15, 2018, the USTR announced a list of products subject to additional tariffs **pursuant to Section 301 of the Trade Act of 1974 (19 U. S. C. 2411) (" the Section 301 tariffs "). Since that time the Section 301 tariffs have been expanded and applied to four lists of product groups (List 1, List 2, List 3 and List 4). List 4 was subsequently split into List 4A and List 4B. With the exception of a limited group of 352 excluded products, the Section 301 tariffs continue at 25 % on goods covered under List 1, List 2 and List 3 as well as 7. 5 % on goods covered under List 4A** . The ~~list focused~~ **Section 301 tariffs have been suspended** on **goods covered under** ~~products from industrial sectors that contribute to or benefit from the " Made in China 2025 " industrial policy. The list~~ **List** ~~of products consists of two sets of~~ **4B. Also, the Section 301** tariff **exclusions** ~~lines. The first set contains 818 tariff lines for which Customs and Border Protection began collecting the additional duties~~ on ~~July 6, 2018. This list includes some of~~ the **352** products **referenced are due** ~~we distribute. The second set contains 284 proposed tariff lines that remain subject~~ to **expire** ~~further review. On July 10, 2018, the USTR announced that, as a result of China' s retaliation and failure to change its practices, President Trump has ordered the USTR to begin the process of imposing tariffs of 10 percent on an additional $ 200 billion of Chinese imports, and on~~ September ~~17~~ **30** , **2023** ~~2018, President Trump announced that such tariffs would go into effect on September 24, 2018 and would increase to 25 percent on January 1, 2019. However, in early December 2018, President Trump agreed to leave the tariffs at the 10 percent rate while the United States and China entered into negotiations regarding various trade- related matters~~ . These ~~new~~ tariffs and the evolving trade policy dispute between the United States and China may have a significant impact on the industries in which we participate. Many of the products we sell **, including without limitation, certain vaporizer products, aluminum grinders, paper products and plastic products,** are subject to the 25 percent tariff and such tariff, along with resultant price increases, may negatively impact our pricing and customer demand for these products. A " trade war " between the United States and China or other governmental action related to tariffs or international trade agreements or policies has the potential to adversely impact demand for our products, our costs, customers, suppliers and / or the United States economy or certain sectors thereof and, thus, to adversely impact our businesses and results of operations. Our failure to comply with certain environmental, health and safety regulations could materially and adversely affect our business. The storage, distribution and transportation of some of the products that we sell are subject to a variety of federal, state, provincial and local environmental regulations. We are also subject to operational, health and safety laws and regulations. Our failure to comply with these laws and regulations could cause a disruption in our business, an inability to maintain our warehousing resources, additional and potentially significant remedial costs and damages, fines, sanctions or other legal consequences that could have a material adverse effect on our business, results of operations and financial condition. In addition, changes in environmental, employee health and safety or other laws, more vigorous enforcement thereof or other unanticipated events could require extensive changes to our operations or give rise to material liabilities, which could have a material adverse effect on our business, financial condition and results of operations. We **are transitioning our business and have engaged, and may continue in engage in, dispositions via sales of our assets or other exit activities and other strategic initiatives and we may face risks related to such transactions. We have engaged in, and expect to continue to pursue, strategic dispositions and initiatives, as we transition our business. Dispositions present significant challenges and risks relating the separation of disposed businesses. Such risks include: (i) we may incur unanticipated costs or expenses, (ii) we may not be able to successfully separate divested businesses and related obligations from our operations as planned, and (iii) we may not be able to realize anticipated reductions in costs attributable to divested businesses or assets. Divestitures may also involve continued financial involvement in, or liability with respect to, the divested businesses. As a result of divestiture transactions, we could incur severance charges for personnel and payments for lease and other commitments, charges from the impairment or write- off of assets, and other financial loss due to the transaction. Furthermore, there is the risk that we might lose customers. In addition, we may not realize the degree or timing of benefits we anticipate when we first enter into a transaction. There can be no assurances that we will manage dispositions or other strategic initiatives successfully, that strategic opportunities will be available to us on acceptable terms or at all, or that we will be able to consummate desired transactions. Any of the foregoing could materially adversely affect our competitive position, financial condition, results of operations or cash flows. For more information on the disposition activities we have undertaken to date, please see" Item 7 — Management'**

s Discussion and Analysis of Financial Condition and Results of Operations — Overview — Plan to Accelerate Path to Profitability and Capitalize the Business" and "" Item 7 — Management' s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity and Capital Resources." We intend to continue to pursue selective acquisitions to complement our organic growth, which may not be successful and may divert financial and management resources. We intend to continue to identify appropriate opportunities to acquire or invest in technologies, businesses or assets that are strategically important to our business or form alliances with key participants in **our** ~~the vaporization products, packaging, and consumption accessories~~ industry to further expand our business. However, we may not be successful in identifying suitable acquisition opportunities or completing such transactions. Our competitors may be more effective in executing and closing acquisitions in competitive auctions than us. Furthermore, we have historically used common stock as partial consideration in certain acquisitions such as our acquisitions of Eyce and DaVinci, and our ability to complete acquisitions using common stock going forward may not be attractive if our common stock continues to trade a depressed levels. Our ability to enter into and complete acquisitions may be restricted by, or subject to, various approvals under U. S., Canadian or other applicable law or may not otherwise be possible, may result in a possible dilutive issuance of our securities, or may require us to seek additional financing. We also may experience difficulties integrating acquired operations, technology, and personnel into our existing business and operations. Completed acquisitions may also expose us to potential risks, including risks associated with unforeseen or hidden liabilities, impact to our corporate culture, the diversion of resources from our existing business, and the potential loss of, or harm to, relationships with our suppliers, business relationships or employees as a result of our integration of new businesses. In addition, following completion of an acquisition, our management and resources may be diverted from their core business activities due to the integration process, which diversion may harm the effective management of our business. Furthermore, it may not be possible to achieve the expected synergies or the actual cost of delivering such benefits may exceed the anticipated cost. Any of these factors may have an adverse effect on our business, results of operations and financial condition. Our operations are subject to natural disasters, adverse weather conditions, operating hazards, environmental incidents and labor disputes. We may experience earthquakes, floods, typhoons, power outages, labor and trade disputes or similar events beyond our control that would affect our warehousing and distribution operations. The occurrences of such events could result in shutdowns or periods of reduced operations, which could significantly disrupt our business operations, cause us to incur additional costs and affect our ability to deliver our products to our customers as scheduled, which may adversely affect our business, results of operations and financial condition. Moreover, such events could result in severe damage to property, personal injuries, fatalities, regulatory enforcement proceedings or in us being named as a defendant in lawsuits asserting claims for large amounts of damages, which in turn could lead to significant liabilities. Complications and disruptions associated with the design and implementation of our new ERP system have occurred and could adversely impact our business and operations in the future. We rely extensively on information systems and technology to manage our business and summarize operating results. We **have substantially completed our** ~~are in the process of a~~ multi- year implementation of a new ERP system **for our Consumer Products division, which replaced our existing operating** and ~~expect to fully~~ **financial systems. However, we are still in the process of** ~~transition~~ **transitioning** ~~to~~ **from** the **legacy KushCo** ~~new ERP during 2022. This~~ ERP system **for** ~~will replace~~ our ~~existing operating~~ **Industrial Products** and ~~financial systems~~ **certain Consumer Products** . The ERP system is designed to accurately maintain the Company' s financial records, enhance operational functionality and provide timely information to the Company' s management team related to the operation of the business. The ERP system implementation process has required, and will continue to require, the investment of significant personnel and financial resources. Although we expect the ERP implementation to increase efficiencies by leveraging a common, cloud- based system throughout all divisions and standardizing processes and reporting, we have **and may continue to** ~~experienced~~ - **experience** complications and disruptions to our business and operations during the transition from our legacy systems. For example, we **saw** ~~have seen~~ our order processing become significantly impacted by this transition **in early 2022** . We may not be able to successfully ~~implement~~ **operate** the ERP system without experiencing further delays, increased costs and other difficulties. If we are unable to successfully **utilize** ~~design and implement~~ the new ERP system as planned, our financial position, results of operations and cash flows could be negatively impacted. Additionally, if ~~we do not effectively implement the ERP system as planned or~~ the ERP system does not operate as intended, the effectiveness of our internal control over financial reporting could be adversely affected or our ability to assess those controls adequately could be further delayed. **We** ~~Changes to the base rate on our floating rate indebtedness could increase our borrowing costs. As of December 31, 2021, approximately $ 8. 0 million of our outstanding indebtedness bears interest at floating rates based on the London interbank offered rate (" LIBOR ") and has maturity dates beyond December 31, 2021. The use of LIBOR was phased out at the end of 2021, although the phase out of U. S. dollar LIBOR has been delayed until mid- 2023. Currently, no official replacement rate has been identified. It is not possible to predict the effect of these changes, other reforms or the establishment of alternative reference rates. The nature of any replacement rate and the impact of the transition from LIBOR on us and the financial markets generally~~ are **subject to** ~~unknown and could result in interest rate increases on our debt, which could adversely affect our cash flow and operating results. Risks~~ **risks** ~~Related to the Integration of KushCo The combined company incurred and may continue to incur significant transaction and merger- related costs in connection with the merger. We incurred and may continue to incur costs~~ associated with ~~combining our operations with~~ **public health crises, such as pandemics and epidemics, including** ~~those~~ -- **the COVID- 19 pandemic, which** ~~of KushCo. We formulated and are executing on detailed integration plans to deliver planned synergies. Additional unanticipated costs~~ may ~~be incurred in the integration of our business with that of KushCo. We may continue to incur substantial expenses in pursuit of completing our plans. Although we expect the that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of the businesses, may offset incremental transaction and merger- related costs over time, the net benefit may not be achieved in the near term, or at all. Post- merger integration of the two companies may distract the Company' s management team from its other responsibilities. Post- merger integration of the two~~

~~companies could cause our management to focus their time and energies on matters related to integration that otherwise would be directed to our business and operations. Any such distraction on the part of our management, if significant, could affect our management' s ability to service existing business and develop new business and adversely affect the combined company' s business and earnings. Post- merger integration and operations may fail to achieve expected results. The success of the merger with KushCo depends heavily on a smooth post- merger integration and operations of the combined company. Benefits of the transaction to shareholders may not be realized if the post- merger integration and operations are not well executed or well received by each company' s historical customers. We may fail to realize the cost savings and synergies we expect to achieve from the merger. The success of the merger depends, in part, on our ability to realize the estimated cost savings from combining our business with KushCo' s. While we believe that the cost savings and synergies are achievable, it is possible that the potential cost savings could be more difficult to achieve than we anticipate. Our cost savings estimates also depend on our ability to combine our business with that of KushCo in a manner that permits those cost savings and synergies to be realized. If our estimates are incorrect or we are unable to integrate KushCo successfully, the anticipated cost savings and synergies may not be realized fully, or at all, or may take longer to realize than expected. Combining our business with KushCo' s may be more difficult, costly, or time- consuming than expected. We and KushCo operated, until the completion of the merger, independently. Since the completion of the merger, the combination process could result in the loss of key employees, the disruption of our ongoing business, and inconsistencies in standards, controls, procedures and policies that adversely affect the Company' s ability to maintain relationship with customers and employees or achieve the anticipated benefits of the merger. As with any merger, there may also be disruptions that cause the combined company to lose customers or other unintended consequences that could~~ have a material adverse effect on our **business. The nature and extent of future impacts are highly uncertain and unpredictable. We are subject to risks associated with public health crises, such as pandemics and epidemics, including the COVID- 19 pandemic. While many countries around the world have removed or reduced the restrictions taken in response to the COVID- 19 pandemic, the emergence of new variants of COVID- 19 virus may** ~~results~~ **result in new governmental lockdowns, quarantine requirements or other restrictions to slow the spread** of ~~operations~~ **the virus. In addition, any such measures could also impact the global economy more broadly,** ~~or~~ **for example by leading to further economic slowdowns. While COVID- 19 case volumes have decreased in the U. S and certain other countries, the global outlook remains uncertain as case counts fluctuate and vaccination and booster rates remain relatively low in many parts of the world. If we or any of the third parties with whom we engage, including the suppliers, manufacturers and other third parties in our global supply chain, were to experience shutdowns or other significant business disruptions, our ability to conduct our business in the manner presently planned could be materially and negatively impacted. For example, our Higher Standards stores in California and New York were closed for several months in 2020 as a result of COVID- 19. The scope and duration of any future public health crisis, including the potential emergence of new variants of the COVID- 19 virus, the pace at which government restrictions are imposed and lifted, the scope of additional actions taken to mitigate the spread of disease, global vaccination and booster rates, the speed and extent to which global markets and utilization rates for our products fully recover from the disruptions caused by such a public health crisis, and the impact of these factors on our business,** financial condition **and results of operations, will depend on future developments that are highly uncertain and cannot be predicted with confidence. To the extent the COVID- 19 pandemic or other public health crises adversely affect our operations and global economic conditions more generally, it may also have the effect of heightening many of the other risks described herein** . Risks Related to Our Organizational Structure Our principal asset is our interest in the Operating Company, and, accordingly, we depend on distributions from ~~The~~ **the** Operating Company to pay our taxes and expenses ~~, including payments under the Tax Receivable Agreement (the " TRA ")~~ . The Operating Company' s ability to make such distributions may be subject to various limitations and restrictions. We are a holding company and have no material assets other than our ownership of **all of the** Common Units of the Operating Company. As such, we ~~will~~ have no independent means of generating revenue or cash flow. Our ability to pay our operating expenses ~~, including taxes and payments under the TRA,~~ or declare and pay dividends in the future, if any, will be dependent upon the financial results and cash flows of the Operating Company and its subsidiaries and distributions we receive from the Operating Company. There can be no assurance that the Operating Company and its subsidiaries will generate sufficient cash flow to distribute funds to us or that applicable state law and contractual restrictions, including negative covenants, in any future debt instruments, will permit such distributions. In addition, because we are a holding company, our stockholders' claims as a stockholder will be structurally subordinated to all existing and future liabilities and obligations of the Operating Company. Therefore, in the event of our bankruptcy, liquidation or reorganization, our assets and those of the Operating Company and its subsidiaries will be available to satisfy the claims of our stockholders only after all of our and Greenlane Holdings, LLC' s and its subsidiaries' liabilities and obligations have been paid in full. The Operating Company is treated as a partnership for U. S. federal income tax purposes and, as such, is not subject to any entity- level U. S. federal income tax. Instead, taxable income is allocated to holders of Common Units **. As of December 31** , ~~including us~~ **2022, we hold all of the outstanding Common Units** . Accordingly, we will incur income taxes on ~~our allocable share of~~ any net taxable income of the Operating Company. Under the terms of the Fourth Amended and Restated Agreement of the Operating Company (the " Operating Agreement "), the Operating Company **is** ~~will be~~ obligated to make tax distributions to holders of Common Units ~~, including us~~ . In addition to tax expenses, we will also incur expenses related to our operations ~~, including payments under the TRA,~~ which we expect could be significant. We intend, as its manager **and sole member** , to cause the Operating Company to make cash distributions to **us** ~~the owners of Common Units~~ in an amount sufficient to (i) fund ~~their~~ **our** tax obligations in respect of taxable income allocated to ~~them~~ **us** and (ii) cover our operating expenses ~~, including payments under the TRA~~ . However, the Operating Company' s ability to make such distributions may be subject to various limitations and restrictions, such as restrictions on distributions that would either violate any contract or agreement to which the Operating

Company is then a party, including debt agreements, or any applicable law, or that would have the effect of rendering the Operating Company insolvent. If we do not have sufficient funds to pay tax or other liabilities or to fund our operations, we may have to borrow funds, which could materially adversely affect our liquidity and financial condition and subject us to various restrictions imposed by any such lenders. ~~To~~ **The Tax Receivable Agreement (** the **"** ~~extent that we are unable to make payments under the~~ TRA **")** ~~for any reason, such payments generally will be deferred and will accrue interest until paid; provided, however, that nonpayment for a specified period~~ may ~~constitute a material breach of a material obligation under the TRA and therefore accelerate payments due under the TRA. The TRA requires~~ - **require** us to make cash payments to ~~them~~ - **the members of the Operating Company** in respect of certain tax benefits to which we may become entitled ~~, and we expect that the payments we will be required to make will be substantial~~ . Under the TRA we entered into with the Operating Company and ~~the~~ **its** members ~~, including our co- founders and current directors, Mr. LoCascio and Mr. Schoenfeld~~ , we are required to make cash payments to the members of the Operating Partnership equal to 85 % of the tax benefits, if any, that we actually realize, or in certain circumstances are deemed to realize, as a result of (i) the increases in the tax basis of assets of the Operating Company resulting from any redemptions or exchanges of Common Units from the members and (ii) certain other tax benefits related to our making payments under the TRA. Although **we held all** ~~the actual timing and amount~~ of ~~any~~ **the outstanding Common Units as of December 31, 2022,** payments ~~that we make to the members under the TRA will vary, we expect those payments will be significant. Any payments made by us to the members under the TRA may generally reduce the amount of overall cash flow that might have otherwise been available to us. Furthermore, our future obligation to make payments under the TRA could make us a less attractive target for an acquisition, particularly in the case of an acquirer that cannot use some or all of the tax benefits that are the subject of the TRA. Payments~~ under the TRA are not conditioned on any member' s continued ownership of Common Units or our Class A common stock. The actual amount and timing of any payments under the TRA will vary depending upon a number of factors, including the ~~timing of redemptions or exchanges by the holders of Common Units, the~~ amount of gain recognized by ~~such~~ **prior** holders of Common Units, the amount and timing of the taxable income we generate in the future, and the federal tax rates then applicable ~~. Our co- founders, Aaron LoCascio and Adam Schoenfeld, have substantial influence over all stockholder decisions because collectively they hold a substantial percentage of the voting power of our Class A common stock and Class B common stock. This will limit your ability to influence corporate matters, including the election of directors, amendments of our organizational documents and any merger, consolidation, sale of all or substantially all of our assets, or other major corporate transaction requiring stockholder approval. Aaron LoCascio and Adam Schoenfeld each serve as members of our Board, and they and their affiliates beneficially owned approximately 17 % of our Class A common stock and Class B common stock, and thereby collectively controlled approximately 17 % of the voting power of our common stock as of December 31, 2021. As a result, Messrs. Schoenfeld and LoCascio will have the ability to substantially influence us, including the ability to substantially influence any action requiring the approval of our stockholders, including, but not limited to, the election of directors, the adoption of amendments to our amended and restated certificate of incorporation and bylaws and the approval of any merger or sale of substantially all of our assets. This concentration of ownership and voting power may also delay, defer or even prevent an acquisition by a third party or other change of control of us and may make some transactions more difficult without their support, even if such events are in the best interests of other stockholders. This concentration of voting power with Messrs. Schoenfeld and LoCascio may have a negative impact on the market price of our Class A common stock. As members of our Board, Messrs. LoCascio and Schoenfeld owe fiduciary duties to our company, including those of care and loyalty, and must act in good faith and with a view to the interests of the corporation. However, Delaware law provides that a director or officer shall not be personally liable to a corporation for a breach of fiduciary duty except for an act or omission constituting a breach and which involves intentional misconduct, fraud or a knowing violation of law. As a stockholder, each of Messrs. LoCascio and Schoenfeld is entitled to vote his shares, and shares over which he has voting control, in his own interests, which may not always be in the interests of our stockholders generally. Because Messrs. LoCascio and Schoenfeld hold their economic interest in our business through the Operating Company, rather than through the public company, they may have conflicting interests with holders of shares of our Class A common stock. For example, Messrs. LoCascio and Schoenfeld may have different tax positions from us, which could influence their decisions regarding whether and when we should dispose of assets or incur new or refinance existing indebtedness, especially in light of the existence of the TRA, and whether and when we should undergo certain changes of control within the meaning of the TRA or terminate the TRA. In addition, the significant ownership of Messrs. LoCascio and Schoenfeld in us and their resulting ability to influence us may discourage someone from making a significant equity investment in us, or could discourage transactions in which you as a holder of shares of our Class A common stock might otherwise receive a premium for your shares over the then- current market price. Under certain circumstances, redemptions of Common Units by members will result in dilution to the holders of our Class A common stock. Redemptions of Common Units by members in accordance with the terms of the Greenlane Operating Agreement will result in a corresponding increase in our membership interest in the Operating Company, an increase in the number of shares of Class A common stock outstanding and a decrease in the number of shares of Class B common stock outstanding. As of December 31, 2021, the Operating Company members own 21, 744, 500 shares of Class B common stock, which are exchangeable for an equal amount of shares of Class A common stock in connection with a redemption of the corresponding Common Units, which would represent approximately 20. 3 % of our total outstanding Class A common stock if all members exchanged their Common Units for Class A common stock, and the members' corresponding Class B common stock were canceled. We are party to a registration rights agreement between us and the members, which will require us to effect the registration of their shares in certain circumstances. Furthermore, we cannot predict the timing of any redemption of Common Units or the effect that such redemptions will have on the market price of our Class A common stock. Our organizational structure, including the TRA, confers certain benefits upon the members that will not benefit Class A common stockholders to the same extent as it will benefit the members. Our organizational structure,~~

~~including the TRA, confers certain benefits upon the members that will not benefit the holders of our Class A common stock to the same extent as it will benefit the members. The TRA provides for the payment by us to the members of 85 % of the amount of tax benefits, if any, that we actually realize, or in some circumstances are deemed to realize, as a result of (1) the increases in the tax basis of assets of the Operating Company resulting from any redemptions or exchanges of Common Units from the members and (2) certain other tax benefits related to our making payments under the TRA. Although we will retain 15 % of the amount of such tax benefits, this and other aspects of our organizational structure may adversely impact the future trading market for the Class A common stock. In certain cases, payments under the TRA to the members may be accelerated or significantly exceed the actual benefits we realize in respect of the tax attributes subject to the TRA. The TRA provides that upon certain mergers, asset sales, other forms of business combinations or other changes of control or if, at any time, we elect an early termination of the TRA, then our obligations, or our successor' s obligations, under the TRA to make payments thereunder would be based on certain assumptions, including an assumption that we would have sufficient taxable income to fully utilize all potential future tax benefits that are subject to the TRA. As a result of the foregoing, (i) we could be required to make payments under the TRA that are greater than the specified percentage of the actual benefits we ultimately realize in respect of the tax benefits that are subject to the TRA, and (ii) if we elect to terminate the TRA early, we would be required to make an immediate cash payment equal to the present value of the anticipated future tax benefits that are the subject of the TRA, which payment may be made significantly in advance of the actual realization, if any, of such future tax benefits. In these situations, our obligations under the TRA could have a substantial negative impact on our liquidity and could have the effect of delaying, deferring or preventing certain mergers, asset sales, other forms of business combinations or other changes of control. There can be no assurance that we will be able to fund or finance our obligations under the TRA. We will not be reimbursed for any payments made to the members under the TRA in the event that any tax benefits are disallowed. Payments under the TRA will be based on the tax reporting positions that we determine, and the IRS or another tax authority may challenge all or part of the tax basis increases, as well as other related tax positions we take, and a court could sustain such challenge. If the outcome of any such challenge would reasonably be expected to materially affect a recipient' s payments under the TRA, then we will not be permitted to settle or fail to contest such challenge without the consent (not to be unreasonably withheld or delayed) of each member that directly or indirectly owns at least 10 % of the outstanding Common Units. We will not be reimbursed for any cash payments previously made to the members under the TRA in the event that any tax benefits initially claimed by us and for which payment has been made to a member are subsequently challenged by a taxing authority and are ultimately disallowed. Instead, any excess cash payments made by us to a member will be netted against any future cash payments that we might otherwise be required to make to such member under the terms of the TRA. However, we might not determine that we have effectively made an excess cash payment to a member for a number of years following the initial time of such payment and, if any of our tax reporting positions are challenged by a taxing authority, we will not be permitted to reduce any future cash payments under the TRA until any such challenge is finally settled or determined. As a result, payments could be made under the TRA in excess of the tax savings that we realize in respect of the tax attributes with respect to a member that are the subject of the TRA~~ . Fluctuations in our tax obligations and effective tax rate and realization of our deferred tax assets may result in volatility of our operating results. We are subject to taxes by the U. S. federal, state, local and foreign tax authorities, and our tax liabilities will be affected by the allocation of expenses to differing jurisdictions. We record tax expense based on our estimates of future earnings, which may include reserves for uncertain tax positions in multiple tax jurisdictions, and valuation allowances related to certain net deferred tax assets. At any one time, many tax years may be subject to audit by various taxing jurisdictions. The results of these audits and negotiations with taxing authorities may affect the ultimate settlement of these matters. We expect that throughout the year there could be ongoing variability in our quarterly tax rates as events occur and exposures are evaluated. Our future effective tax rates could be subject to volatility or adversely affected by a number of factors, including: • changes in the valuation of our deferred tax assets and liabilities; • expected timing and amount of the release of any tax valuation allowances; • tax effects of stock- based compensation; • changes in tax laws, regulations or interpretations thereof; or • future earnings being lower than anticipated in countries where we have lower statutory tax rates and higher than anticipated earnings in countries where we have higher statutory tax rates. In addition, our effective tax rate in a given financial statement period may be materially impacted by a variety of factors including but not limited to changes in the mix and level of earnings, varying tax rates in the different jurisdictions in which we operate, fluctuations in valuation allowances, deductibility of certain items, or by changes to existing accounting rules or regulations. Further, tax legislation may be enacted in the future which could negatively impact our current or future tax structure and effective tax rates. We may be subject to audits of our income, sales, and other transaction taxes by U. S. federal, state, local, and foreign taxing authorities. Outcomes from these audits could have an adverse effect on our operating results and financial condition. If we were deemed to be an investment company under the U. S. Investment Company Act of 1940, as amended (the " 1940 Act "), as a result of our ownership of the Operating Company, applicable restrictions could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business. Under Sections 3 (a) (1) (A) and (C) of the 1940 Act, a company generally will be deemed to be an " investment company " for purposes of the 1940 Act if (i) it is, or holds itself out as being, engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting or trading in securities or (ii) it engages, or proposes to engage, in the business of investing, reinvesting, owning, holding or trading in securities and it owns or proposes to acquire investment securities having a value exceeding 40 % of the value of its total assets (exclusive of U. S. government securities and cash items) on an unconsolidated basis. We do not believe that we are an " investment company, " as such term is defined in either of those sections of the 1940 Act. As the sole manager of the Operating Company, we control and operate the Operating Company. On that basis, we believe that our interest in the Operating Company is not an " investment security " as that term is used in the 1940 Act. However, if we were to cease participation in the management of the Operating Company, our interest in The Operating Company could be deemed an " investment security " for purposes of the 1940 Act. We and the Operating

Company intend to continue to conduct our operations so that we will not be deemed an investment company. However, if we were to be deemed an investment company, restrictions imposed by the 1940 Act, including limitations on our capital structure and our ability to transact with affiliates, could make it impractical for us to continue our business as contemplated and could have a material adverse effect on our business. Risks Related to Ownership of Our Class A Common Stock The market price of our Class A common stock has been volatile and has declined significantly since our initial public offering and may face more volatility and price declines in the future. As a result, you may not be able to resell your shares at or above the price at which you have acquired or will acquire shares of our Class A common stock. The market price of our Class A common stock has been volatile and has declined significantly since our initial public offering and could face more volatility and price declines in the future as a result of a number of factors, many of which are beyond our control. Furthermore, volatility in our stock price may occur regardless of our operating performance. As a result, you may not be able to sell your shares at or above the price you paid and you could lose a substantial part or all of your investment in our Class A common stock. The following factors could affect our stock price: • general market conditions, including conditions that are outside of our control, such as actions or proposed actions of the current U. S. Presidential administration ~~, international trade disputes~~ and ~~broader supply chain delays, such as those~~ -- **the Federal Reserve to curb inflation** ~~currently impacting global distribution that disrupt our~~ - **or** ~~supply chain and~~ the impact of **future public** health **crises** ~~and safety concerns, such as the current COVID- 19 outbreak the recent spread of the Delta and emergence of the Omicron variants and the potential spread of other future variants and measures intended to prevent their spread~~ ; novel and unforeseen market volatility and trading strategies, such as the ~~massive~~ short squeeze ~~rally~~ **rallies** caused by retail investors on retail trading platforms; • our financing activities, including the issuance of additional securities; • our operating and financial performance and the performance of other similar companies; • the market perception of our industry; • **management turnover; •** the impact, or perceived impact, of new regulations applicable to us, our suppliers or our customers; • quarterly variations in the rate of growth of our financial indicators, such as net income, net income per share, net sales and adjusted EBITDA; • our ability to successfully execute our merger and acquisition strategy; • significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; • strategic actions by our competitors or our suppliers; • product recalls or product liability claims; • changes in revenue or earnings estimates, or changes in recommendations or withdrawal of research coverage, by equity research analysts; • liquidity and activity in the market for our Class A common stock; • speculation in the press or investment community; • sales of our Class A common stock by us or other stockholders, or the perception that such sales may occur; • the ~~issuance of Class A common stock upon redemption of Common Units by members in the Operating Company; • the~~ future incurrence of debt; • changes in accounting principles; • additions or departures of key management personnel; • the de- listing of our Class A common stock from the Nasdaq Global Market; • news reports relating to trends, concerns or competitive developments, regulatory changes and other related issues in our industry or target markets, including, but not limited to, EVALI; • investors' general perception of us and the public' s reaction to our press releases, our other public announcements and our filings with the SEC; • actions by our stockholders; and • domestic and international economic, legal and regulatory factors. The stock markets in general have experienced extreme volatility, particularly recently, that has often been unrelated to the operating performance of particular companies. These broad market fluctuations may adversely affect the trading price of our Class A common stock. Your percentage ownership will be diluted in the future. Your percentage ownership will be diluted in the future as a result of equity awards that we expect will be granted to our directors, officers and employees, as well as any shares of our Class A common stock, or securities convertible into shares of our Class A common stock, we issue in connection with future capital raising ~~,~~ **or** strategic transactions ~~or pursuant to our use of the ATM Program~~ at prices that are dilutive to shareholders. Our **Second** Amended and Restated 2019 Equity Incentive Plan provides for the grant of equity- based awards to our directors, officers and employees. The issuance of any shares of Class A common stock will dilute the proportionate ownership and voting power of existing security holders. Substantial sales and issuances of our Class A common stock have and may continue to occur, or may be anticipated, which have and could continue to cause our stock price to decline. The market price of shares of our Class A common stock could decline further as a result of substantial sales of our Class A common stock, particularly sales by our directors, executive officers, and significant shareholders pursuant to plans of disposition adopted in accordance with Rule 10b5- 1 of the Exchange Act, issuances of Class A common stock ~~under the ATM Program~~ at prices that are dilutive to stockholders, a large number of shares of our Class A common stock becoming available for sale or the perception in the market that holders of a large number of shares intend to sell their shares. ~~For instance, subject to certain limitations and exceptions, the members of the Operating Company may redeem their Common Units for shares of Class A common stock (in which case, their shares of Class B common stock will be cancelled on a one- to- one basis upon any such issuance), and then sell those shares of Class A common stock.~~ Additionally, we expect that we will seek to raise additional capital from time to time in the future, which may involve the issuance of additional shares of our Class A common stock, or securities convertible into shares of our Class A common stock in subsequent public or private offerings ~~, or we may be forced to continue to seek equity capital~~ at dilutive prices ~~through our ATM Program or otherwise~~ if debt is not available to us to fund our working capital needs. We cannot predict the effect, if any, that these sales, or anticipation of such sales, will have on the market price of our common stock or the timing of any redemption of Common Units. Sales or issuances of substantial amounts of our Class A common stock (including shares issued in connection with an acquisition), or the perception that such sales could occur, may adversely affect prevailing market price of our Class A common stock. The requirements of being a public company may strain our resources and distract our management, which could make it difficult to manage our business, particularly after we are no longer an " emerging growth company. " As a public company, we are required to comply with various regulatory and reporting requirements, including those required by the SEC. Complying with these reporting and other regulatory requirements is time- consuming and expensive and could have a negative effect on our business, results of operations and financial condition. As a public company, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended (the "

Exchange Act "), and the requirements of the Sarbanes- Oxley Act of 2002 (" SOX "). The cost of complying with these requirements may place a strain on our systems and resources. The Exchange Act requires that we file annual, quarterly and current reports with respect to our business and financial condition. SOX requires that we maintain effective disclosure controls and procedures and internal controls over financial reporting. To maintain and improve the effectiveness of our disclosure controls and procedures, we must commit significant resources, may be required to hire additional staff and need to continue to provide effective management oversight. Sustaining our growth also will require us to commit additional management, operational and financial resources to identify new professionals to join our company and to maintain appropriate operational and financial systems to adequately support expansion. These activities may divert management' s attention from other business concerns, which could have a material adverse effect on our business, results of operations, financial condition and cash flows. In connection with becoming a public company, we obtained Side A directors' and officers' insurance coverage, which increased our annual insurance costs. In the future, it may be more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members to our Board in the future, particularly to serve on our audit committee, and qualified executive officers. As an " emerging growth company " as defined in the JOBS Act, we may take advantage of certain temporary exemptions from various reporting requirements, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404 (b) of SOX and reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. When these exemptions cease to apply, we expect to incur additional expenses and devote increased management effort toward ensuring compliance with them. We will remain an " emerging growth company " for up to five years, although we may cease to be an " emerging growth company " earlier under certain circumstances. We cannot predict or estimate the amount of additional costs we may incur as a result of becoming a public company or the timing of such costs. As a public reporting company, we are subject to rules and regulations established from time to time by the SEC regarding our internal control over financial reporting. In connection with our assessment of the effectiveness of our disclosure controls and procedures, we identified certain material weaknesses in our internal control over financial reporting, which caused our Chief Executive Officer and Chief Financial Officer to determine that our internal control over financial reporting, as well as our disclosure controls and procedures, were not effective as of December 31, 2020 and these material weaknesses have not yet been fully remediated as of December 31, ~~2021~~ **2022** . As a public reporting company, we are subject to the rules and regulations established from time to time by the SEC. These rules and regulations require that, among other things, we establish and periodically evaluate procedures with respect to our internal control over financial reporting. Reporting obligations as a public company are likely to place a considerable strain on our financial and management systems, processes and controls, as well as on our personnel. Our management, including our Chief Executive Officer and Chief Financial **and Legal** Officer, is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a- 15 (f) and 15d- 15 (f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U. S. GAAP. Our internal control over financial reporting includes those policies and procedures that: (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U. S. GAAP, and that our receipts and expenditures are being made only in accordance with authorizations of our management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements. Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2020. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that as of December 31, 2020, the Company had not maintained effective internal control over financial reporting as a result of the existence of material weaknesses. Consequently, management, with the participation of our Chief Executive Officer and Chief Financial Officer, also concluded that our disclosure controls and procedures were not effective as of December 31, 2020 to provide reasonable assurance that information required to be disclosed by the Company in the reports filed or submitted by it under the Exchange Act were recorded, processed, summarized, and reported within the time periods specified in the SEC' s rules and forms, and to provide reasonable assurance that information required to be disclosed by the Company in such reports was accumulated and communicated to the Company' s management, including, our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. A " material weakness " is a deficiency, or combination of deficiencies, in internal control over financial reporting such that there is a reasonable possibility that a material misstatement of our financial statements will not be prevented or detected on a timely basis. Although we are implementing measures to remediate the material weaknesses, we cannot give any assurances that the identified material weaknesses will be remediated on a timely basis or at all or that additional material weaknesses will not be identified in the future in connection with our compliance with the provisions of Section 404 of SOX. Our management may be required to devote significant time and expense to remediate these material weaknesses and any other material weaknesses that may be discovered in the future and may not be able to remediate such material weaknesses in a timely manner. The existence of any future material weakness in our internal control over financial reporting could also result in errors in our financial statements that could require us to restate our financial statements, cause us to fail to meet our reporting obligations, and cause investors to lose confidence in our reported financial information, any of which could lead to a decline in the per share trading price of our common stock. ~~Under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, we evaluated the effectiveness of our disclosure controls and procedures as of December 31, 2021. Based upon their evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that, as of December 31,~~

~~2021, our disclosure controls and procedures were not effective because of the material weaknesses in our internal control over financial reporting described in Item 9A of Part II of our Annual Report on Form 10- K for the year ended December 31, 2020, which have not yet been fully remediated as of December 31, 2021.~~ As described in Item 9A of Part II of this Annual Report on Form 10- K, we are continuing to implement our remediation plan to address the identified material weaknesses, and our management continues to be actively engaged in the remediation efforts. The material weaknesses will not be considered remediated until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. As previously disclosed, in 2020, we began a multi- year implementation of a new ERP system, which **we substantially completed for our Consumer Products division in 2022. However, we are still in the process of transitioning from the legacy KushCo ERP system for our Industrial Products division and certain Consumer Products. The ERP system** will replace our existing core financial systems, and which we expect will be completed in ~~2022~~ **2023** . Management is required to apply its judgment in evaluating the cost- benefit relationship of possible controls and procedures, based upon which, management expects to focus its allocation of organizational resources to ensure the successful implementation of the new ERP system, including as it relates to designing and implementing effective control activities. Conversely, management expects that additional efforts related to re- designing user access roles and permissions in the existing ERP system, which is expected to be decommissioned in ~~2022~~ **2023** , will be limited. Based on these considerations, and subject to management' s ongoing assessment, we do not expect that the previously reported material weaknesses related to ineffective user access controls will be considered remediated until we complete the implementation of our new ERP system ~~. Additionally, we are in process of integrating KushCo into our system of internal control over financial reporting following the closing of the merger on August 31, 2021. As a result of these integration activities, certain processes, controls and procedures will be evaluated and may be revised. Under guidelines established by the SEC, companies are permitted to exclude acquisitions from their assessment of internal control over financial reporting during the first year of an acquisition while integrating the acquired company. In conducting our evaluation of the effectiveness of our internal control over financial reporting, we excluded KushCo from our evaluation as of December 31, 2021~~ . Because we are an" emerging growth company" under the JOBS Act, our independent registered public accounting firm is not be required to attest to the effectiveness of our internal control over financial reporting for so long as we are an emerging growth company. Our independent registered public accounting firm will be engaged to provide an attestation report on the effectiveness of our internal control over financial reporting at such time as we cease to be an ' ' emerging growth company,'' as defined in the JOBS Act. We have not paid dividends in the past and have no current plans to pay dividends in the future, and any return on investment may be limited to the value of our common stock. We do not anticipate paying cash dividends in the foreseeable future. The payment of dividends will depend on our earnings, capital requirements, financial condition, prospects and other factors our Board may deem relevant. If we do not pay dividends, our stock may be less valuable because a return on your investment will only occur if you sell our Class A common stock after our stock price appreciates above the price at which you acquired such shares. If securities analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline. The trading market for our stock depends in part on the research and reports that securities or industry analysts publish about us or our industry. While there are currently securities analysts covering us, we can provide no assurances that the analysts will continue to publish report or that other securities analysts will initiate coverage. If no securities analysts cover our company, the trading price for our stock could be negatively impacted. In addition, if one or more of the analysts who cover us downgrade our stock or publish inaccurate or unfavorable research about our business, our stock price could decline as a result. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our Class A stock could decrease, which might cause the market price and trading volume of our Class A common stock to decline **. We have a large number of authorized but unissued shares of stock, which could negatively impact a potential investor if they purchase our Class A common stock. On August 9, 2022, we effected the Reverse Stock Split. The Reverse Stock Split did not change the par value of our Class A common stock or the number of shares of Class A common stock or preferred shares authorized by our amended and restated certificate of incorporation. Because the number of authorized shares of our Class A common stock was not reduced proportionally, the Reverse Stock Split increased our Board' s ability to issue authorized and unissued shares without further stockholder action. As of December 31, 2022, our amended and restated certificate of incorporation provides for 600, 000, 000 shares of authorized Class A common stock, 30, 000, 000 shares of authorized Class B common stock and 10, 000, 000 shares of authorized preferred stock and we have 15, 985, 637 shares of Class A common stock outstanding, 18, 752, 297 shares reserved for exercise or vesting of outstanding warrants and options to purchase shares of Class A common stock and 886, 424 shares of Class A common stock reserved for future grant under the Company' s equity incentive plan. No shares of Class B common stock or preferred stock are outstanding. With respect to authorized but unissued and unreserved shares, we could also use such shares to oppose a hostile takeover attempt or delay or prevent changes in control or changes in or removal of management. The issuance of additional shares of Class A common stock or securities convertible into Class A common stock may have a dilutive effect on earnings per share and relative voting power and may cause a decline in the trading price of our Class A common stock. We could use the shares that are available for future issuance in dilutive equity financing transactions, or to oppose a hostile takeover attempt or delay or prevent changes in control or changes in or removal of management, including transactions that are favored by a majority of the stockholders or in which the stockholders might otherwise receive a premium for their shares over then- current market prices or benefit in some other manner** . Anti- takeover provisions in our certificate of incorporation and amended and restated bylaws and Delaware law could discourage a takeover. Our amended and restated certificate of incorporation and our amended and restated bylaws contain provisions that might enable our management to resist a takeover. These provisions include: • authorizing the issuance of " blank check " preferred stock that could be issued by our Board to increase the number of outstanding shares and thwart a takeover attempt; • advance notice requirements applicable to stockholders for matters to be brought before a meeting of stockholders and requirements as to the form and content of a stockholder' s notice; • restrictions on the transfer of our outstanding shares of Class B common stock; • a supermajority stockholder vote requirement for amending certain provisions of our amended and restated certificate of incorporation and amended and restated bylaws; • the inability of our stockholders to act by written consent; • a requirement that the authorized number of directors may be changed only by resolution of the Board; • allowing all vacancies, including newly created directorships, to be filled by the affirmative vote of a majority of directors then in office, even if less than a quorum, except as otherwise required by law; • limiting the forum for certain litigation against us to Delaware; and • limiting the persons that can call special meetings of our stockholders to our Board or the chairperson of our Board. These provisions might discourage, delay or prevent a change in control of our company or a change in our Board. The existence of these provisions could adversely affect the voting power of holders of Class A common stock and limit the price that investors might be willing to pay in the future for shares of our Class A common stock. In addition, because we are incorporated in Delaware, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which generally prohibits a Delaware corporation from engaging in any of a broad range of business combinations with any " interested " stockholder for a period of three years following the date on which the stockholder became an " interested " stockholder. We may issue shares of preferred stock in the future, which could make it difficult for another company to acquire us or could otherwise adversely affect holders of our Class A common stock, which could depress the market price of our Class A common stock. Our amended and restated certificate of incorporation authorizes us to issue one or more series of preferred stock. Our Board has the authority to determine the preferences, limitations and relative rights of the shares of preferred stock and to fix the number of shares constituting any series and the designation of such series, without any further vote or action by our stockholders. Our preferred stock can be issued with voting, liquidation, dividend and other rights superior to the rights of our Class A common stock. The potential issuance of preferred stock may delay or prevent a change in control of us, discourage bids for our Class A common stock at a premium to the market price, and materially and adversely affect the market price and the voting and other rights of the holders of our Class A common stock. Our amended and restated certificate of incorporation and bylaws provide that the Court of Chancery of the State of Delaware is the sole and exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees. Our amended and restated certificate of incorporation and our amended and restated bylaws provide that, unless we consent to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, other than any action or proceeding that, under applicable law, may only be commenced or prosecuted in another forum, (ii) any action asserting a claim of breach of fiduciary duty owed by any of our directors, officers or other employees to us or to our stockholders, (iii) any action asserting a claim arising pursuant to the Delaware General Corporation Law or our amended and restated certificate of incorporation or bylaws (iv) any action to interpret, apply, enforce or determine the validity of our amended and restated certificate of incorporation. **We are a " smaller reporting company " under federal securities laws and we cannot be certain whether the reduced reporting requirements applicable to such companies will make our Class A common stock less attractive to investors. We are a " smaller reporting company " under federal securities laws. For as long as we continue to be a smaller reporting company, we may take advantage of exemptions from various reporting requirements that are applicable to other public companies, including reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements. Generally, we will remain a smaller reporting company so long as our public float remains less than $ 250 million as of the last business day of our most recently completed second fiscal quarter. We cannot predict if investors will find our Class A common stock less attractive because we may rely on these exemptions. If some investors find our Class A common stock less attractive as a result, there may be a less active trading market for our Class A common stock and our stock price may decline or be more volatile.**