

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2024

OR

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

For the transition period from __ to __

Commission File Number: 000-56294



THE CANNABIST COMPANY HOLDINGS INC.
(Exact Name of Registrant as Specified in its Charter)

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

98-1488978
(I.R.S. Employer
Identification No.)

680 Fifth Ave., 24th Floor
New York, New York
(Address of principal executive offices)

10019
(Zip Code)

Registrant's telephone number, including area code: (212) 634-7100

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

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input checked="" type="checkbox"/>		

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

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of November 4, 2024, there were 464,977,620 shares of common stock, no par value per share (the "Common Shares"), outstanding.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains “forward-looking statements” regarding The Cannabist Company Holdings Inc. and its subsidiaries (collectively referred to as “The Cannabist Company,” “we,” “us,” “our,” or the “Company”). We make forward-looking statements related to future expectations, estimates, and projections that are uncertain and often contain words such as, but not limited to, “may,” “would,” “could,” “should,” “will,” “intend,” “plan,” “anticipate,” “believe,” “estimate,” “expect” or other similar words or phrases. These statements are not guarantees of future performance and are subject to known and unknown risks, uncertainties, and assumptions that are difficult to predict. Particular risks and uncertainties that could cause our actual results to be materially different from those expressed in our forward-looking statements include those listed below:

- the impact of the Company's corporate restructuring initiatives;
- the fact that marijuana remains illegal under federal law;
- the application of anti-money laundering laws and regulations to the Company;
- legal, regulatory, or political change to the cannabis industry;
- access to public and private capital;
- unfavorable publicity or consumer perception of the cannabis industry;
- expansion to the adult-use markets;
- the impact of laws, regulations, and guidelines;
- the impact of Section 280E of the Internal Revenue Code;
- the impact of state laws pertaining to the cannabis industry;
- the Company's reliance on key inputs, suppliers and skilled labor;
- the difficulty of forecasting the Company's sales;
- constraints on marketing products;
- potential cyber-attacks and security breaches;
- net operating loss and other tax attribute limitations;
- the impact of changes in tax laws;
- the volatility of the market price of the Common Shares;
- reliance on management;
- litigation;
- future results and financial projections; and
- the impact of global financial conditions.

The list of factors above is illustrative and by no means exhaustive. Additional information regarding these risks and other risks and uncertainties we face is contained in this Quarterly Report on Form 10-Q and our Annual Report on Form 10-K for the year ended December 31, 2023. Although the Company has attempted to identify important factors that could cause actual results to differ materially from those contained in forward-looking information, there may be other factors that cause results not to be as anticipated, estimated, or intended.

We urge readers to consider these risks and uncertainties in evaluating our forward-looking statements. We caution readers not to place undue reliance upon any such forward-looking statements, which speak only as of the date made. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events, or otherwise, except as required by law.

THE CANNABIST COMPANY HOLDINGS INC.
CONDENSED CONSOLIDATED INTERIM BALANCE SHEETS
(Unaudited)
(Expressed in thousands of U.S. dollars, except share data)

	September 30, 2024	December 31, 2023
Assets		
Current assets:		
Cash	\$ 31,497	\$ 35,764
Accounts receivable, net of allowances of \$7,793 and \$6,512, respectively	15,371	15,601
Inventory	89,717	111,633
Prepaid expenses and other current assets	14,827	22,711
Notes receivable	18,259	4,026
Assets held for sale	65,304	1,752
Total current assets	234,975	191,487
Property and equipment, net	232,305	298,498
Right of use assets - operating leases, net	125,255	181,823
Right of use assets - finance leases, net	27,285	36,450
Intangible assets, net	66,274	76,767
Investments	33,091	—
Deferred taxes	25,643	22,970
Notes receivable	12,927	2,082
Other non-current assets	12,947	13,034
Total assets	\$ 770,702	\$ 823,111
Liabilities and Equity		
Current liabilities:		
Accounts payable	\$ 26,036	\$ 29,797
Accrued expenses and other current liabilities	30,562	58,659
Income tax payable	85,914	47,358
Current portion of lease liability - operating leases	7,228	9,711
Current portion of lease liability - finance leases	5,441	7,339
Current portion of long-term debt, net	51,447	5,905
Liabilities held for sale	48,904	1,275
Total current liabilities	255,532	160,044
Long-term debt, net	248,563	297,478
Long-term lease liability - operating leases	126,542	182,001
Long-term lease liability - finance leases	38,932	43,890
Derivative liability	2,448	119
Other long-term liabilities	74,682	74,227
Total liabilities	746,699	757,759
Stockholders' Equity:		
Common Stock, no par value, unlimited shares authorized as of September 30, 2024 and December 31, 2023, respectively, 463,797,644 and 420,265,306 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	—	—
Preferred Stock, no par value, unlimited shares authorized as of September 30, 2024 and December 31, 2023, respectively, none issued and outstanding as of September 30, 2024 and December 31, 2023	—	—
Proportionate voting shares, no par value, unlimited shares authorized as of September 30, 2024 and December 31, 2023, respectively; 7,701,826 and 9,807,881 shares issued and outstanding as of September 30, 2024 and December 31, 2023, respectively	—	—
Additional paid-in-capital	1,155,131	1,146,154
Accumulated deficit	(1,130,303)	(1,079,282)
Equity attributable to The Cannabist Company Holdings Inc.	24,828	66,872
Non-controlling interest	(825)	(1,520)
Total equity	24,003	65,352
Total liabilities and equity	\$ 770,702	\$ 823,111

The accompanying notes are an integral part of these unaudited Condensed Consolidated Interim Financial Statements.

THE CANNABIST COMPANY HOLDINGS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(Unaudited)
(Expressed in thousands of U.S. dollars, except for number of shares and per share amounts)

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenues, net of discounts	\$ 114,783	\$ 129,183	\$ 362,584	\$ 382,962
Cost of sales related to inventory production	(70,973)	(92,041)	(228,185)	(246,617)
Gross Margin	\$ 43,810	\$ 37,142	134,399	\$ 136,345
Fixed asset impairment	(121)	—	(121)	—
Selling, general and administrative expenses	(49,315)	(56,472)	(142,634)	(163,895)
Loss from operations	(5,626)	(19,330)	(8,356)	(27,550)
Other expense:				
Interest expense on leases	(850)	(1,029)	(2,685)	(3,186)
Interest expense	(9,744)	(13,471)	(28,494)	(38,770)
Other income / (expense), net	36,295	(53)	29,909	(12,992)
Total other expense	25,701	(14,553)	(1,270)	(54,948)
Profit / (loss) before provision for income taxes	20,075	(33,883)	(9,626)	(82,498)
Income tax expense	(21,838)	(2,297)	(40,348)	(19,291)
Net loss and comprehensive loss	(1,763)	(36,180)	(49,974)	(101,789)
Net profit attributable to non-controlling interests	97	545	1,300	1,139
Net loss attributable to shareholders	\$ (1,860)	\$ (36,725)	\$ (51,274)	\$ (102,928)
Weighted-average number of shares used in earnings per share - basic and diluted	470,552,039	409,113,721	458,988,976	405,472,948
Loss attributable to shares (basic and diluted)	\$ (0.004)	\$ (0.090)	\$ (0.112)	\$ (0.254)

The accompanying notes are an integral part of these unaudited Condensed Consolidated Interim Financial Statements.

THE CANNABIST COMPANY HOLDINGS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

(Expressed in thousands of U.S. dollars, except for number of shares)

	Common Shares	Proportionate Voting Shares	Additional Paid-in Capital	Accumulated Deficit	Total The Cannabist Company Holdings Inc. Shareholders' Equity	Non- Controlling Interest	Total Equity
Balance as of December 31, 2022	391,238,484	10,009,819	\$ 1,117,287	\$ (904,003)	\$ 213,284	\$ (6,381)	\$ 206,903
Equity-based compensation (1)	2,116,944	—	6,611	—	6,611	—	6,611
Conversion between classes of shares	54,158	(54,158)	—	—	—	—	—
Deconsolidation of subsidiary	—	—	—	—	—	4,383	4,383
Net loss	—	—	—	(37,340)	(37,340)	768	(36,572)
Balance as of March 31, 2023	393,409,586	9,955,661	\$ 1,123,898	\$ (941,343)	\$ 182,555	\$ (1,230)	\$ 181,325
Equity-based compensation (1)	3,413,933	—	2,939	—	2,939	—	2,939
Distributions to non-controlling interest holders	—	—	—	—	—	(431)	(431)
Net loss	—	—	—	(28,863)	(28,863)	(174)	(29,037)
Balance as of June 30, 2023	396,823,519	9,955,661	\$ 1,126,837	\$ (970,206)	\$ 156,631	\$ (1,835)	\$ 154,796
Equity-based compensation (1)	204,513	—	8,298	—	8,298	—	8,298
Issuance of shares	21,887,240	—	23,872	—	23,872	—	23,872
Net profit (loss)	—	—	—	(36,725)	(36,725)	545	(36,180)
Balance as of September 30, 2023	418,915,272	9,955,661	\$ 1,159,007	\$ (1,006,931)	\$ 152,076	\$ (1,290)	\$ 150,786

(1) The amount shown are net of any shares withheld by the Company to satisfy certain tax withholdings in connection with vesting of equity-based awards.

THE CANNABIST COMPANY HOLDINGS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CHANGES IN EQUITY - CONTINUED
(Unaudited)

	Common Shares	Proportionate Voting Shares	Additional Paid-in Capital	Accumulated Deficit	Total The Cannabist Company Holdings Inc. Shareholders' Equity	Non- Controlling Interest	Total Equity
Balance as of December 31, 2023	420,265,306	9,807,881	\$ 1,146,154	\$ (1,079,282)	\$ 66,872	\$ (1,520)	\$ 65,352
Equity-based compensation (1)	—	—	3,182	—	3,182	—	3,182
Conversion of convertible notes	25,845,259	—	10,000	—	10,000	—	10,000
Conversion between classes of shares	2,106,055	(2,106,055)	—	—	—	—	—
Deconsolidation of subsidiary	—	—	—	(1,058)	(1,058)	—	(1,058)
Net loss	—	—	—	(35,073)	(35,073)	505	(34,568)
Balance as of March 31, 2024	448,216,620	7,701,826	\$ 1,159,336	\$ (1,115,413)	\$ 43,923	\$ (1,015)	\$ 42,908
Equity-based compensation (1)	8,225,383	—	(9,399)	—	(9,399)	—	(9,399)
Conversion of convertible notes	655,736	—	200	—	200	—	200
Legal Settlement	4,845,359	—	2,620	—	2,620	—	2,620
Deconsolidation of subsidiary	—	—	—	1,031	1,031	—	1,031
Distributions	—	—	—	(333)	(333)	—	(333)
Net loss	—	—	—	(14,341)	(14,341)	698	(13,643)
Balance as of June 30, 2024	461,943,098	7,701,826	\$ 1,152,757	\$ (1,129,056)	\$ 23,701	\$ (317)	\$ 23,384
Equity-based compensation (1)	1,854,546	—	2,374	—	2,374	—	2,374
Deconsolidation of subsidiary	—	—	—	613	613	(605)	8
Net profit (loss)	—	—	—	(1,860)	(1,860)	97	(1,763)
Balance as of September 30, 2024	463,797,644	7,701,826	\$ 1,155,131	\$ (1,130,303)	\$ 24,828	\$ (825)	\$ 24,003

(1) The amounts shown are net of any shares withheld by the Company to satisfy certain tax withholdings in connection with vesting of equity-based awards.

The accompanying notes are an integral part of these unaudited Condensed Consolidated Interim Financial Statements.

THE CANNABIST COMPANY HOLDINGS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(expressed in thousands of U.S. dollars)

	Nine months ended	
	September 30, 2024	September 30, 2023
Cash flows from operating activities:		
Net loss	\$ (49,974)	\$ (101,789)
Adjustments to reconcile net loss to net cash (used in) operating activities:		
Depreciation and amortization	39,314	47,607
Equity-based compensation	(2,588)	18,304
Debt amortization expense	6,794	7,366
(Gain) /loss on deconsolidation of subsidiary	(39,821)	2,473
Loss on disposal group	—	10,750
Provision for obsolete inventory and other assets	5,671	8,126
Change in fair value of derivative liability	2,329	55
Change in investment fair value	4,195	—
Deferred taxes	(2,723)	(6,475)
Legal Settlement	(1,108)	—
Other	957	646
Changes in operating assets and liabilities, net of acquisitions		
Accounts receivable	(3,406)	(15,718)
Inventory	(11,566)	652
Prepaid expenses and other current assets	(4,255)	(4,933)
Notes receivable	(314)	—
Other assets	(1,388)	12,270
Accounts payable	(543)	20,092
Payroll liabilities	—	(86)
Accrued expenses and other current liabilities	(11,281)	(7,264)
Income taxes payable	38,583	11,306
Other long-term liabilities	3,450	(5,291)
Net cash used in operating activities	(27,674)	(1,909)
Cash flows from investing activities:		
Purchases of property and equipment	(4,147)	(8,260)
Proceeds from sale of property and equipment	—	3,189
Proceeds from sale of license	329	—
Net proceeds from sale of business	34,371	—
Proceeds from stock issuance	—	23,872
Proceeds from deconsolidation of Missouri entity	—	3,040
Cash (paid) received on deposits, net	(268)	97
Net cash provided by investing activities	30,285	21,938
Cash flows from financing activities:		
Proceeds from issuance of convertible debt	15,600	—
Payment of debt issuance costs	(802)	(220)
Payment of lease liabilities	(5,323)	(6,153)
Repayment of sellers note	(1,119)	(1,125)
Repayment of debt	(13,228)	(5,592)
Issuance of mortgage	—	8,050
Repayment of mortgage notes	(418)	—
Distributions	(333)	—
Distributions to non-controlling interest holders	—	(431)
Taxes paid on equity based compensation	(1,255)	(456)
Net cash used in financing activities	(6,878)	(5,927)
Net increase (decrease) in cash	\$ (4,267)	\$ 14,102
Cash and restricted cash at beginning of the period	\$ 39,337	\$ 49,488
Cash and restricted cash at end of period	\$ 35,070	\$ 63,590
Reconciliation of cash and cash equivalents and restricted cash:		
Cash	\$ 31,497	\$ 60,273
Restricted cash	\$ 3,573	\$ 3,317
Cash and restricted cash, end of period	\$ 35,070	\$ 63,590

The accompanying notes are an integral part of these unaudited Condensed Consolidated Interim Financial Statements.

THE CANNABIST COMPANY HOLDINGS INC.
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(expressed in thousands of U.S. dollars)

	Nine months ended	
	September 30, 2024	September 30, 2023
Supplemental disclosure of cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 20,061	\$ 19,833
Operating cash flows from finance leases	\$ 2,679	\$ 3,184
Financing cash flows from finance leases	\$ 5,323	\$ 5,084
Cash paid for interest on other obligations	\$ 35,155	\$ 31,274
Cash paid for income taxes	\$ 3,850	\$ 14,979
Lease liabilities arising from the recognition of finance right-of-use assets	\$ 6,978	\$ 1,016
Lease liabilities arising from the recognition of operating right-of-use assets	\$ 7	\$ 8,210
Supplemental disclosure of non-cash investing and financing activities:		
Non-cash fixed asset additions within accounts payable and accrued expenses	\$ 298	\$ 31
Non-cash equity issuance costs within accrued expenses and accounts payable	\$ —	\$ 147
Discount on issuance of convertible debt	\$ (5,150)	\$ —
Reduction in debt from debt to equity conversion	\$ (10,200)	\$ —
Equity issued for legal settlement	\$ 2,620	\$ —
Increase in equity from debt to equity conversion	\$ 10,200	\$ —
Assets held for sale	\$ 63,551	\$ —
Liabilities held for sale	\$ (47,629)	\$ —

The accompanying notes are an integral part of these unaudited Condensed Consolidated Interim Financial Statements.

THE CANNABIST COMPANY HOLDINGS INC.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2024, and 2023

(Expressed in thousands of U.S. dollars, except for share and per share amounts)

(Unaudited)

1. OPERATIONS OF THE COMPANY

The Cannabist Company Holdings Inc. (“the Company”, “the Parent”, or “The Cannabist Company”), formerly known as Columbia Care Inc., was incorporated under the laws of the Province of Ontario on August 13, 2018. The Company's principal mission is to improve lives by providing cannabis-based health and wellness solutions and derivative products to qualified patients and consumers. The Company's head office and principal address is 680 Fifth Ave. 24th Floor, New York, New York 10019. The Company's registered and records office address is 666 Burrard St #1700, Vancouver, British Columbia V6C 2X8.

On April 26, 2019, the Company completed a reverse takeover (“RTO”) transaction and private placement. Following the RTO, the Company's Common Shares were listed on Cboe Canada (formerly known as the NEO Exchange), trading under the symbol “CCHW”. Effective September 19, 2023, the Company changed its name from “Columbia Care Inc.” to “The Cannabist Company Holdings Inc.” (the “Name Change”). In connection with the Name Change, on September 21, 2023, the Company's Common Shares and warrants began trading under the ticker symbols “CBST” and “CBST.WT”, respectively, on Cboe Canada. On September 26, 2023, the Company's Common Shares began trading on the OTCQX Best Market under the ticker symbol “CBSTF”. The Company's Common Shares are also listed on the Frankfurt Stock Exchange under the symbol “3LP”.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The accompanying unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP” or “GAAP”) for interim financial information and the rules and regulations of the Securities and Exchange Commission (the “SEC”).

The accompanying unaudited condensed consolidated interim financial statements contain all normal and recurring adjustments necessary to state fairly the consolidated financial condition, results of operations, comprehensive income, statement of shareholders' equity, and cash flows of the Company for the interim periods presented. Except as otherwise disclosed, all such adjustments consist only of those of a normal recurring nature. Operating results for the three and nine months ended September 30, 2024 are not necessarily indicative of the results that may be expected for the current year ending December 31, 2024. The financial data presented herein should be read in conjunction with the audited consolidated financial statements and accompanying notes as of and for the years ended December 31, 2023, and 2022 included in the Annual Report on Form 10-K for the year ended December 31, 2023 (the “2023 Form 10-K”).

The preparation of these unaudited condensed consolidated interim financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting periods. Actual results could differ materially from those estimates.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. GAAP have been condensed or omitted pursuant to the rules and regulations of the SEC and the instructions to Form 10-Q.

The unaudited condensed consolidated interim financial statements are presented in United States dollars except as otherwise indicated. All references to C\$, CAD\$ and CDN\$ are to Canadian dollars.

Significant Accounting Judgments, Estimates and Assumptions

The Company's significant accounting policies are described in Note 2 to the Company's 2023 Form 10-K, filed with the SEC, on March 13, 2024. There have been no material changes to the Company's significant accounting policies.

Reclassification

Certain reclassifications have been made to conform the prior years consolidated financial statements and notes to the current year presentation. These reclassifications do not impact the gross profit, loss from operations, loss before provision for income taxes and net loss and comprehensive loss presented on the consolidated statements of operations and comprehensive loss.

Revenue

The Company's revenues are disaggregated as follows:

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Dispensary	\$ 95,223	\$ 113,487	\$ 308,554	\$ 336,681
Cultivation and wholesale	19,560	15,694	54,030	46,246
Other	—	2	—	35
	<u>\$ 114,783</u>	<u>\$ 129,183</u>	<u>\$ 362,584</u>	<u>\$ 382,962</u>

During the three and nine months ended September 30, 2024, the Company netted discounts of \$31,482 and \$105,366, respectively, against the revenues. During the three and nine months ended September 30, 2023, the Company netted discounts of \$34,248 and \$102,012, respectively, against the revenues, respectively. Discounts are provided by the Company during promotional days or weekends. Discounts are also provided to employees, seniors and other categories of customers and may include price reductions and coupons.

3. INVENTORY

Details of the Company's inventory are shown in the table below:

	September 30, 2024	December 31, 2023
Accessories and supplies	\$ 1,100	\$ 1,158
Work-in-process - cannabis in cures and final vault	63,785	86,396
Finished goods - dried cannabis, concentrate and edible products	24,832	24,079
Total inventory	<u>\$ 89,717</u>	<u>\$ 111,633</u>

The inventory values are net of inventory write-downs as a result of obsolescence or unmarketability charged to cost of sales. As a result of certain restructuring efforts, there were write-downs of \$30 and \$5,671, respectively, during the three and nine months ended September 30, 2024. As a result of certain restructuring efforts, there were write-downs of \$7,489 and \$8,126, respectively, during the three and nine months ended September 30, 2023.

4. CURRENT AND LONG-TERM DEBT

Current and long-term obligations, net, are shown in the table below:

	September 30, 2024	December 31, 2023
2026 Notes	\$ 185,000	\$ 185,000
2024 Notes	—	13,228
2027 Convertible Notes	25,550	—
2025 Convertible Notes	59,500	74,500
Mortgage Note	43,082	43,500
Acquisition related promissory notes	381	1,500
	<u>313,513</u>	<u>317,728</u>
Unamortized debt discount	(7,734)	(6,598)
Unamortized deferred financing costs	(5,769)	(7,747)
Total debt, net	<u>300,010</u>	<u>303,383</u>
Less current portion, net*	(51,447)	(5,905)
Long-term portion	<u>\$ 248,563</u>	<u>\$ 297,478</u>

*The current portion of the debt includes scheduled payments on the mortgage notes, acquisition related promissory notes and acquisition related notes payable, net of corresponding portions of the unamortized debt discount and unamortized deferred financing costs.

The Company was in compliance with all financial covenants and was not in default of any provisions under any of its debt arrangements as of September 30, 2024.

2026 Notes

On February 3, 2022, the Company closed a private placement (the “February 2022 Private Placement”) of \$185,000 aggregate principal amount of 9.50% senior-secured first-lien notes due 2026 (the “2026 Notes”) and received aggregate gross proceeds of \$153,250. The 2026 Notes are senior secured obligations of the Company and were issued at 100.0% of face value. The 2026 Notes accrue interest in arrears which is payable semi-annually and mature on February 3, 2026, unless earlier redeemed or repurchased. The Company may redeem the 2026 Notes at par, in whole or in part, on or after February 3, 2024, as more particularly described in the fourth supplemental trust indenture governing the 2026 Notes. In connection with the offering of the 2026 Notes, the Company exchanged \$31,750 of the Company’s existing 13.0% senior secured first-lien notes (the “13.0% Term Debt”), pursuant to private agreements in accordance with the trust indenture, for an equivalent amount of 2026 Notes plus accrued but unpaid interest and any negotiated premium thereon.

The premium and paid interest were paid out of funds raised from the February 2022 Private Placement. The total unamortized debt and debt issuance costs of \$2,153, related to the modified portion of the 13.0% Term Debt, will be amortized over the term of the 2026 Notes using the effective interest method. The Company incurred \$7,189 in creditor fees in connection with the modified 13.0% Term Debt and 2026 Notes and \$301 in third-party legal fees related to 2026 Notes which were capitalized and will be amortized over the term of the 2026 Notes using the effective interest rate method.

2024 Notes

As further described in Note 4 under the sub-heading “Term debt” of the Financial Statements incorporated by reference in the Company’s Form 10-K for the year ended December 31, 2023, on October 23, 2023, the Company retired \$25 million of its 13% Notes due May 2024 (the “2024 Notes”) through a proportional redemption process.

The 2024 Notes were paid in full on May 14, 2024. The Company incurred financing costs of \$3,373 in connection with the issuance of these 2024 Notes.

2027 Convertible Notes

On March 19, 2024, the Company closed a private placement (the “March 2024 Private Placement”) of \$25,750 aggregate principal amount of 9.0% senior-secured first-lien notes due 2027 (the “2027 Notes”) and received

aggregate gross proceeds of \$15,600. The 2027 Notes are senior secured obligations of the Company and were issued at 80.0% of face value. The 2027 Notes accrue interest in arrears which is payable semi-annually and mature on March 19, 2027. In connection with the offering of the 2027 Notes, the Company exchanged \$5,000 of the Company's existing 6.0% 2025 Convertible Notes. Through September 30, 2024, 655,736 shares were issued to convert \$200 principal.

The principal amount of the 2027 Convertible Notes and the conversion price are denominated in U.S. dollars. As the functional currency of the Company is Canadian dollars, the amount of the liability to be settled depends on the applicable foreign exchange rate on the date of settlement. The 2027 Convertible Notes therefore represent an obligation to issue a fixed number of shares for a variable amount of liability. Due to this conversion feature within the 2027 Convertible Notes, the Company is unable to obtain an exception from derivative accounting. Accordingly, this conversion feature was accounted for as an embedded derivative liability and measured at fair value of \$2,632 on the date of issuance of debt with a corresponding debt discount and debt issuance costs of \$5,952, reflected as a reduction to the carrying value of the 2027 Notes. The Company fair values the derivative liability at each balance sheet date. Changes in fair value of the embedded derivative are recognized in the condensed consolidated statements of operations and comprehensive loss. The debt premium and debt issuance costs is amortized over the term of the 2027 Notes.

2025 Convertible Notes

On June 29, 2021, the Company completed an offering of 6.0% Secured Convertible Notes Due 2025 ("2025 Convertible Notes") for an aggregate principal amount of \$74,500. The 2025 Convertible Notes are senior secured obligations of the Company and will accrue interest payable semiannually in arrears and mature on June 29, 2025, unless earlier converted, redeemed, or repurchased. The 2025 Convertible Notes shall be convertible, at the option of the holder, from the date of issuance until the date that is 10 days prior to their maturity date into Common Shares of the Company at a conversion price equal to \$6.49 payable on the business day prior to the date of conversion, adjusted downwards for any cash dividends paid to holders of Common Shares and other customary adjustments. The Company may redeem the 2025 Convertible Notes at par, in whole or in part, on or after June 29, 2023, if the volume weighted average price of the Common Shares trading on the Canadian Stock Exchange or Cboe Canada for 15 of the 30 trading days immediately preceding the day on which the Company exercises its redemption right, exceeds 120.0% of the conversion price of the 2025 Convertible Notes at a Redemption Price equal to 100.0% of the principal amount of the 2025 Convertible Notes redeemed, plus accrued but unpaid interest, if any, up to but excluding the Redemption Date.

The 2025 Convertible Notes require interest-only payments until June 29, 2025, at a rate of 6.0% per annum, payable semi-annually in June and December and commencing in December 2021. The 2025 Convertible Notes are due in full on June 29, 2025. The Company incurred financing costs of \$3,190 in connection with the 2025 Convertible Notes. The principal amount of the 2025 Convertible Notes and the conversion price are denominated in U.S. dollars. As the functional currency of the Company is Canadian dollars, the amount of the liability to be settled depends on the applicable foreign exchange rate on the date of settlement. The 2025 Convertible Notes therefore represent an obligation to issue a fixed number of shares for a variable amount of liability. Due to this conversion feature within the 2025 Convertible Notes, the Company is unable to obtain an exception from derivative accounting. Accordingly, this conversion feature was accounted for as an embedded derivative liability and measured at fair value of \$15,099 on the date of issuance of debt with a corresponding debt discount, reflected as a reduction to the carrying value of the 2025 Convertible Notes. The Company fair values the derivative liability at each balance sheet date. Changes in fair value of the embedded derivative are recognized in the consolidated statements of operations and comprehensive loss. The debt discount is amortized over the term of the 2025 Convertible Notes.

January 2024 Debt Exchange

On January 22, 2024, the Company entered into the Exchange Agreement, as amended on June 30, 2024 and September 30, 2024, with certain Holders of the Company's 6.0% senior secured 2025 Convertible Notes, pursuant to which the Company agreed to the Repurchase of up to \$25 million principal amount of the 2025 Convertible Notes in exchange for Common Shares (the "January 2024 Debt Exchange").

Pursuant to the terms of the Exchange Agreement, the Holders shall:

- by January 31, 2024, transfer \$5 million principal amount of Notes in consideration of Common Shares issued at a price per Common Share equal to the greater of C\$0.41 per Common Share and the 12.5% discount to the 5 days volume weighted average price of the Common Shares on Cboe prior to receipt of a Transfer notice;

- provided that the five-day volume weighted average price of the Common Shares on the Exchange is greater than C\$0.47 as of the close of trading at 4:01pm on January 31, 2024, transfer \$5 million principal amount of 2025 Convertible Notes in consideration of Common Shares issued at the Initial Exchange Price on or prior to February 29, 2024; and
- provided that the February Exchange is completed and the daily volume weighted average price of the Common Shares on Cboe is greater than C\$0.87 for 5 consecutive trading days, provided that, the trading volume of the Common Shares on Cboe was equal to or greater than 600,000 Common Shares on the applicable trading dates, from the period commencing on January 1, 2024 and ending on September 30, 2024, (which date the parties extended to December 31, 2024), transfer in three separate equal tranches, an aggregate of \$15 million principal amount of 2025 Convertible Notes in consideration of Common Shares issued at a price per Common Share equal to the greater of C\$0.57 per Common Share and the 12.5% discount to the 5 days volume weighted average price of the Common Shares on Cboe prior to receipt of a Transfer notice, in each case, subject to adjustment in certain instances, on or prior to June 30, 2024 (which date the parties extended to December 31, 2024).

In the event the conditions are fulfilled and the Holders fail to Transfer their 2025 Convertible Notes in accordance with the terms of the Exchange Agreement, the Company has the right, but not the obligation, to require the Holders to Transfer some or all of the portion of the \$25 million principal amount of 2025 Convertible Notes still held by the Holders. Assuming all of the conditions are fulfilled, and the entire \$25 million principal amount of 2025 Convertible Notes are Transferred for Common Shares issued at the minimum prices set out in the Exchange Agreement, a maximum of 68,564,698 Common Shares would be issued in connection with the Repurchase. Through September 30, 2024, \$10 million of the potential \$25 million exchange has been completed, with \$15 million remaining available for exchange, \$5 million principal amount of Notes were separately exchanged into the Company 2027 Notes, as described above.

Mortgages

In December 2021, the Company entered into a term loan and security agreement with a bank. The agreement provides for a \$20,000 mortgage on real property in New York and carries interest at a variable rate per annum equal to the Wall Street Prime Rate (“Index”) plus 2.25%. The debt is repayable in 59 monthly installments and a final balloon payment due on January 1, 2027, which is estimated at \$18,133 as of September 30, 2023. In connection with this mortgage, the Company incurred financing costs of \$655.

In June 2022, the Company entered into a term loan and security agreement with a bank. The agreement provides for a \$16,500 mortgage on real property in New Jersey and carries interest at a variable rate per annum equal to the Index plus 2.25%. The debt is repayable in 59 monthly installments and a final balloon payment due on July 15, 2027, which is estimated at \$15,734 as of September 30, 2023. In connection with this mortgage, the Company incurred financing costs of \$209.

On August 10, 2023, the Company entered into two term loans and security agreements with a bank as follows:

- The first agreement provides for a \$6,250 mortgage on real property in Maryland and carries interest at a variable rate per annum equal to the Index plus 2.25%. The debt is repayable in 59 monthly installments and matures in August 2028. In connection with this mortgage, the Company incurred financing costs of \$195 and netted \$2,903 after the repayment of a prior outstanding mortgage on the property.
- The second agreement provides for a \$1,800 mortgage on real property in Delaware and carries interest at a variable rate per annum equal to the Index plus 2.25%. The debt is repayable in 59 monthly installments and matures in August 2028. In connection with this mortgage, the Company incurred financing costs of \$77 and netted \$1,723.

Total interest and amortization expense on the Company’s debt obligations during the three and nine months ended September 30, 2024 and 2023 are as follows:

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Interest expense on debt	\$ 7,595	\$ 10,713	\$ 22,308	\$ 31,746
Amortization of debt discount	1,509	1,997	4,014	4,648
Amortization of debt issuance costs	978	884	2,780	2,718
Other interest expense (income), net	(338)	(123)	(608)	(342)
Total interest expense, net	\$ 9,744	\$ 13,471	\$ 28,494	\$ 38,770

The weighted average interest rate on the Company's indebtedness was 9.02%.

5. PROPERTY AND EQUIPMENT

Details of the Company's property and equipment and related depreciation expense are summarized in the tables below:

	September 30, 2024	December 31, 2023
Land and buildings	\$ 115,277	\$ 115,277
Furniture and fixtures	7,078	10,981
Equipment	34,311	43,123
Computers and software	2,445	4,033
Leasehold improvements	158,154	207,846
Construction in process	5,042	33,429
Total property and equipment, gross	322,307	414,689
Less: Accumulated depreciation	(90,002)	(116,191)
Total property and equipment, net	\$ 232,305	\$ 298,498

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Total depreciation expense for three and nine months ended	\$ 8,314	\$ 10,612	\$ 23,589	\$ 26,109
Included in:				
Costs of sales related to inventory production	\$ 5,216	\$ 6,154	14,782	15,379
Selling, general and administrative expenses	\$ 3,098	\$ 4,458	8,807	10,730

6. PREPAID EXPENSES AND OTHER CURRENT ASSETS

Details of the Company's prepaid expenses and other current assets are summarized in the table below:

	September 30, 2024	December 31, 2023
Prepaid expenses	\$ 11,083	\$ 8,486
Short term deposits	1,180	1,148
Other current assets	2,298	11,957
Excise and sales tax receivable	266	367
Prepaid taxes	—	753
Prepaid expenses and other current assets	\$ 14,827	\$ 22,711

The decrease in other current assets includes the resolution of a previously disclosed lawsuit relating to the Green Leaf Transaction, as disclosed in the Company's Form 10-Q for the quarter ended March 31, 2024.

7. OTHER NON-CURRENT ASSETS

Details of the Company's other non-current assets are summarized in the table below:

	September 30, 2024	December 31, 2023
Long term deposits	\$ 8,599	\$ 8,686
Investment in affiliates	775	775
Restricted cash	3,573	3,573
Other non-current assets	\$ 12,947	\$ 13,034

8. ACCRUED EXPENSES AND OTHER CURRENT LIABILITIES

Details of the Company's accrued expenses and other current liabilities are summarized in the table below:

	September 30, 2024	December 31, 2023
Taxes - property and other	\$ 4,375	\$ 12,067
Other accrued expenses	10,139	26,323
Payroll liabilities	11,418	13,260
Other current liabilities	4,630	7,009
Accrued expenses and other current liabilities	\$ 30,562	\$ 58,659

The change in other accrued expenses includes the resolution of a previously disclosed lawsuit relating to the Green Leaf Transaction, as disclosed in the Company's Form 10-Q for the quarter ended March 31, 2024.

9. SHAREHOLDERS' EQUITY

The Company had the following activity during the three and nine months ended September 30, 2024:

- Issued 10,079,929 Common Shares upon vesting of Restricted Stock Units (RSUs) during the nine months ended September 30, 2024.
- Issued 25,845,259 Common Shares in connection with the January 2024 Debt Exchange (as defined below and further detailed in Note 4).
- Issued 655,736 Common Shares in connection with the 2027 Convertible Notes in exchange for principal debt of \$200.

- Issued 4,845,359 Common Shares to resolve a lawsuit relating to the Green Leaf Transaction.

10. WARRANTS

As of September 30, 2024 and December 31, 2023, outstanding equity-classified warrants to purchase Common Shares consisted of the following:

Expiration	September 30, 2024		December 31, 2023	
	Number of Shares Issued and Exercisable	Exercise Price (Canadian Dollars)	Number of Shares Issued and Exercisable	Exercise Price (Canadian Dollars)
September 21, 2026	11,122,105	\$ 1.96	11,122,105	\$ 1.96
October 1, 2025	648,783	8.12	648,783	8.12
April 26, 2024	—	—	5,394,945	10.35
	<u>11,770,888</u>	<u>\$ 2.30</u>	<u>17,165,833</u>	<u>\$ 4.83</u>

Warrant activity for the nine months ended September 30, 2024 and 2023 are summarized in the table below:

	Number of Warrants	Weighted average exercise price (Canadian Dollars)
Balance as of December 31, 2022	11,482,766	\$ 7.22
Expired	(5,439,038)	4.01
Balance as of September 30, 2023	<u>6,043,728</u>	<u>\$ 10.11</u>
Balance as of December 31, 2023	17,165,833	\$ 4.83
Expired	(5,394,945)	10.35
Balance as of September 30, 2024	<u>11,770,888</u>	<u>\$ 2.30</u>

11. LOSS PER SHARE

Basic and diluted net loss per share attributable to the Company was calculated as follows:

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Numerator:				
Net loss	\$ (1,763)	\$ (36,180)	\$ (49,974)	\$ (101,789)
Less: net profit attributable to non-controlling interests	97	545	1,300	1,139
Net loss attributable to shareholders	<u>\$ (1,860)</u>	<u>\$ (36,725)</u>	<u>\$ (51,274)</u>	<u>\$ (102,928)</u>
Denominator:				
Weighted average shares outstanding - basic and diluted	470,552,039	409,113,721	458,988,976	405,472,948
Loss per share - basic and diluted	<u>\$ (0.004)</u>	<u>\$ (0.090)</u>	<u>\$ (0.112)</u>	<u>\$ (0.254)</u>

Certain share-based equity awards were excluded from the computation of dilutive loss per share because inclusion of these awards would have had an anti-dilutive effect.

12. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company may provide indemnification of varying scope and terms to vendors, lessors, business partners, and other parties with respect to certain matters including, but not limited to, losses arising out of breach of such agreements or from intellectual property infringement claims made by third parties. In addition, the Company has entered into indemnification agreements with members of its board of directors and senior management that will require the Company, among other things, to indemnify them against certain liabilities that may arise by reason of their status or service as directors or officers. The maximum potential amount of future payments the Company could be required to make under these indemnification agreements is, in many cases, unlimited.

Additionally, the Company may be contingently liable with respect to other claims incidental to the ordinary course of its operations. In the opinion of management, and based on management's consultation with legal counsel, the ultimate outcome of such other matters will not have a materially adverse effect on the Company. Accordingly, no provision has been made in these consolidated financial statements for losses, if any, which might result from the ultimate disposition of these matters should they arise.

13. FINANCIAL INSTRUMENTS AND FAIR VALUE MEASUREMENTS

Fair Value Measurements

The following table presents the Company's financial instruments that are measured at fair value on a recurring basis:

	Level 1	Level 2	Level 3	Total
September 30, 2024				
Investment securities	\$ 33,091	\$ —	\$ —	\$ 33,091
Total assets	\$ 33,091	\$ —	\$ —	\$ 33,091
Derivative liability	\$ —	\$ —	\$ (2,448)	\$ (2,448)
Total liabilities	\$ —	\$ —	\$ (2,448)	\$ (2,448)
December 31, 2023				
Derivative liability	\$ —	\$ —	\$ (119)	\$ (119)
Total liabilities	\$ —	\$ —	\$ (119)	\$ (119)

During the period included in these financial statements, there were no transfers of amounts between levels.

Level 1 investment securities are stated at observable inputs such as quoted prices in active markets.

The following table summarizes the valuation techniques and key inputs used in the fair value measurement of Level 3 financial instruments:

Financial asset/financial liability	Valuation techniques	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Derivative liability	Market approach	Conversion Period	Increase or decrease in conversion period will result in an increase or decrease in fair value

There has been no change in the valuation methodology for the three and nine months ended September 30, 2024. The carrying amounts of cash and restricted cash, accounts receivable, other current assets, accounts payable, accrued expenses, other current liabilities, the current portion of long-term debt, and lease liability as of September 30, 2024 and December 31, 2023 approximate their fair values because of the short-term nature of these items and are not included in the table above. The Company's other long-term liabilities and long-term debt approximate fair value due to the market rate of interest used on initial recognition.

In addition to the disclosures for assets and liabilities required to be measured at fair value at the balance sheet date, companies are required to disclose the estimated fair values of all financial instruments, even if they are not presented at their fair value on the consolidated balance sheet. The fair values of financial instruments are estimates based upon market conditions and perceived risks as of September 30, 2024 and December 31, 2023. These estimates require management's judgment and may not be indicative of the future fair values of the assets and liabilities.

14. GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of the following:

	September 30, 2024	December 31, 2023
Goodwill	\$ —	\$ 19,274
Less: accumulated impairment on goodwill	—	(19,274)
Total goodwill, net	—	—
Licenses	127,236	108,700
Trademarks	24,881	45,936
Customer relationships	15,264	15,263
Total intangible assets	167,381	169,899
Less: accumulated amortization	(101,107)	(93,132)
Total intangible assets, net	\$ 66,274	\$ 76,767

Amortization expense for the three and nine months ended September 30, 2024 and 2023 are as follows:

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Amortization expense	2,759	4,577	8,924	14,031

15. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses are summarized in the table below:

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Salaries and benefits	\$ 22,705	\$ 29,603	\$ 61,841	\$ 83,360
Professional fees	3,489	3,806	8,437	9,943
Depreciation and amortization	6,013	9,716	19,778	26,768
Operating facilities costs	10,331	10,207	32,001	31,282
Operating office and general expenses	5,132	1,911	15,839	5,949
Advertising and promotion	502	974	2,309	4,144
Other fees and expenses	1,143	255	2,429	2,449
Total selling, general and administrative expenses	\$ 49,315	\$ 56,472	\$ 142,634	\$ 163,895

16. OTHER (INCOME) EXPENSE, NET

Other expense, net is summarized in the table below:

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Change in fair value of the derivative liability	\$ —	\$ 25	\$ 2,329	\$ 55
Change in fair value of investments	4,195	—	4,195	—
Restructuring expense	1,207	568	5,749	3,812
Other (income) /expense, net	(1,191)	17	(2,185)	(93)
Adjustment for Held-For-Sale	16,420	—	16,420	—
(Gain) /loss on disposal	(56,865)	40	(56,241)	11,562
Rental income	(61)	(597)	(176)	(2,344)
Total other (income) expense, net	\$ (36,295)	\$ 53	\$ (29,909)	\$ 12,992

During the nine months ended September 30, 2024 and 2023 the Company recorded \$5,749 and \$3,812 in restructuring expense. As of September 30, 2024, the balance outstanding on the Company's restructuring reserve was \$3,207.

(Gain)/Loss on disposal arose on the Divestitures of Arizona and Eastern Virginia, as delineated in Note 17 below, and is stated net of any gains and losses attributable to Minority Investors.

17. DIVESTITURE

Utah Business Divestiture

On October 6, 2023, the Company entered into a definitive agreement, subject to closing conditions, to dispose of its Utah operations (the "Utah Business") which are considered non-core and comprised of one dispensary and one cultivation facility. The Utah Business was divested for gross proceeds of approximately \$6.5 million, with approximately \$3.9 million due on closing of the transaction, and a \$2.6 million Seller note payable to the Company not later than July 2025. The sale of the Utah assets was completed on March 7, 2024.

Arizona Divestiture

On July 29, 2024, the Company entered into definitive agreements, subject to closing conditions, to dispose of its Arizona operations (the "Arizona Business") which are comprised of two dispensaries and one cultivation / manufacturing facility. The Arizona Business is being divested for gross proceeds of \$15 million, with approximately all \$15 million which was received on signing of the definitive agreement.

Eastern Virginia Divestiture

On July 29, 2024, the Company entered into a definitive agreement, subject to closing conditions, to dispose of a portion of its Virginia operations (the "East Virginia Business") which are comprised of six dispensaries and one cultivation / manufacturing facility. The East Virginia Business is being divested for gross proceeds of \$90 million, consisting of approximately \$20 million in cash, \$40 million of equity in the Buyer, Verano Holdings Corp., due on closing of the transaction, and a \$30 million seller note payable to the Company over a 14 month period.

Florida Business Divestiture

On August 21, 2024 and August 22, 2024, the Company entered into definitive agreements, subject to closing conditions, to dispose, of its Florida operations (the "Florida Business") which are comprised of fourteen dispensaries and three cultivation / manufacturing facility. The Florida Business is being divested for gross proceeds of \$16.4 million, consisting of approximately \$14.4 million in cash, \$2 million of promissory note payable to the Company over a one year period.

As of September 30, 2024, no assets or liabilities of the disposed-of business remained on our consolidated balance sheets. The table below summarizes the operating results of the disposed of business for the three and nine months ended September 30, 2024, and 2023:

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Revenue	\$ 14,323	\$ 24,838	\$ 61,372	\$ 74,011
Expenses	\$ 16,899	\$ 30,631	\$ 67,561	\$ 86,183

18. SUBSEQUENT EVENTS

On October 1, 2024, the Company entered into a definitive agreement, subject to closing conditions, to dispose of a vertically-integrated Florida paper license for gross proceeds of \$7.5 million cash. On completion of this transaction and the divestitures of the Florida Business and the Lakeland Business, the Company will have exited its entire Florida operations.

On October 9, 2024, the Company completed an orderly transition of the Company's independent registered public accounting firm with Davidson & Company LLP ("Davidson") being dismissed, following its resignation as of that same day, and the Board approving, on the recommendation of the Audit Committee, the appointment of PKF O'Connor Davies, LLP ("PKF") as the Company's new independent registered public accounting firm for the fiscal year ending December 31, 2024, effective October 9, 2024.

Further to the previous announcements and Note 17 above, effective November 6, 2024 the Company closed one of its Florida transactions, covering 14 retail locations and 2 cultivation facilities for gross proceeds of \$5 million, \$2 million of which will be in a promissory note.

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

This management’s discussion and analysis (“MD&A”) of the financial condition and results of operations of The Cannabist Company Holdings Inc. (“The Cannabist Company”, the “Company”, “us”, “our” or “we”) is supplemental to, and should be read in conjunction with, The Cannabist Company’s unaudited condensed consolidated interim financial statements and the accompanying notes for the three and nine months ended September 30, 2024 and 2023. Except for historical information, the discussion in this section contains forward-looking statements that involve risks and uncertainties. Future results could differ materially from those discussed below for many reasons, including the risks described in “Disclosure Regarding Forward-Looking Statements,” “Item 1A-Risk Factors” and elsewhere in the Company’s 2023 Form 10-K filed with the SEC on March 13, 2024 and subsequent securities filings.

The Cannabist Company’s financial statements are prepared in accordance with generally accepted accounting principles in the United States of America (“US GAAP”). Financial information presented in this MD&A is presented in thousands of United States dollars (“\$” or “US\$”), unless otherwise indicated.

OVERVIEW OF THE CANNABIST COMPANY

Our principal business activity is the production and sale of cannabis. We strive to be the premier provider of cannabis-related products in each of the markets in which we operate. Our mission is to improve lives by providing cannabis-based health and wellness solutions through community partnerships, research, education, and the responsible use of our products as a natural means to improve the quality of life of our patients and customers.

THE CANNABIST COMPANY OBJECTIVES AND FACTORS AFFECTING OUR PERFORMANCE

As one of the largest fully integrated operators in the cannabis industry, our strategy to grow our business is comprised of the following key components:

- Expansion and development within and outside our current markets
- Patient and customer-centric, leveraging health and wellness focus
- Consistency and quality of proprietary product portfolio, including branded consumer products
- Intellectual property and data-driven innovation

Our performance and future success are dependent on several factors. These factors are also subject to inherent risks and challenges, some of which are discussed below.

Branding

We have established a national branding strategy across each of the jurisdictions in which we operate. Maintaining and growing our brand appeal is critical to our continued success. Effective September 2023, the Company changed its name from “Columbia Care Inc.” to “The Cannabist Company Holdings Inc.” reflecting the Company’s “Cannabist” national retail brand that was established in 2021.

Regulation

We are subject to the local and federal laws in the jurisdictions in which we operate. We hold all required licenses for the production and distribution of our products in the jurisdictions in which we operate and continuously monitor changes in laws, regulations, treaties and agreements.

Product Innovation and Consumer Trends

Our business is subject to changing consumer trends and preferences, which is dependent, in part, on continued consumer interest in new products. The success of new product offerings, depends upon a number of factors, including our ability to (i) accurately anticipate customer needs; (ii) develop new products that meet these needs; (iii) successfully commercialize new products; (iv) price products competitively; (v) produce and deliver products in sufficient volumes and on a timely basis; and (vi) differentiate product offerings from those of competitors.

Growth and Profitability Strategies

We have a successful history of growing revenue and we believe we have a strong strategy aimed at increasing profitability. Our future depends, in part, on our ability to implement our strategy including (i) product innovations; (ii) penetration of current and new markets; (iii) growth of wholesale revenue through third party retailers and distributors; (iv)

future development of e-commerce and home delivery distribution capabilities; (v) expansion of our cultivation and manufacturing capacity; and (vi) controlling costs. Our ability to implement this strategy depends, among other things, on our ability to develop new products that appeal to consumers, maintain and expand brand loyalty, maintain and improve product quality and brand recognition, maintain and improve competitive position in our current markets, and identify and successfully enter and market products in new geographic areas and segments.

SELECTED FINANCIAL INFORMATION

The following tables set forth selected consolidated financial information derived from our unaudited condensed consolidated interim financial statements and the respective accompanying notes prepared in accordance with U.S. GAAP.

During the periods discussed herein, our accounting policies have remained consistent. The selected and summarized consolidated financial information below may not be indicative of our future performance.

Statement of Operations:

	Three months ended				Nine months ended			
	September 30, 2024	September 30, 2023	\$ Change	% Change	September 30, 2024	September 30, 2023	\$ Change	% Change
Revenues	\$ 114,783	\$ 129,183	\$ (14,400)	(11)%	\$ 362,584	\$ 382,962	\$ (20,378)	(5)%
Cost of sales related to inventory production	(70,973)	(92,041)	21,068	(23)%	(228,185)	(246,617)	18,432	(7)%
Gross profit	\$ 43,810	\$ 37,142	\$ 6,668	18 %	\$ 134,399	\$ 136,345	\$ (1,946)	(1)%
Fixed asset impairment	(121)	—	(121)	— %	(121)	—	(121)	— %
Selling, general and administrative expenses	(49,315)	(56,472)	7,157	(13)%	(142,634)	(163,895)	21,261	(13)%
Loss from operations	(5,626)	(19,330)	13,704	(71)%	(8,356)	(27,550)	19,194	(70)%
Other income / (expense), net	25,701	(14,553)	40,254	(277)%	(1,270)	(54,948)	53,678	(98)%
Income tax expense	(21,838)	(2,297)	(19,541)	851 %	(40,348)	(19,291)	(21,057)	109 %
Net loss	(1,763)	(36,180)	34,417	(95)%	(49,974)	(101,789)	51,815	(51)%
Net profit attributable to non-controlling interests	97	545	(448)	(82)%	1,300	1,139	161	14 %
Net loss attributable to The Cannabist Company Holdings Inc.	(1,860)	(36,725)	34,865	(95)%	(51,274)	(102,928)	51,654	(50)%
Loss per share attributable to The Cannabist Company Holdings Inc.—based and diluted	\$ (0.004)	\$ (0.090)	\$ 0.086	(96)%	\$ (0.112)	\$ (0.254)	\$ 0.14	(56)%
Weighted average number of shares outstanding—basic and diluted	470,552,039	409,113,721			458,988,976	405,472,948		

Summary of Balance Sheet items:

	September 30, 2024	December 31, 2023
Total Assets	\$ 770,702	\$ 823,111
Total Liabilities	\$ 746,699	\$ 757,759
Total Long-Term Liabilities	\$ 491,167	\$ 597,715
Total Equity	\$ 24,003	\$ 65,352

RESULTS OF OPERATIONS

Comparison of the three and nine months ended September 30, 2024 and 2023

The following table summarizes our results of operations for the three months ended September 30, 2024 and 2023:

	For the three months ended			
	September 30, 2024	September 30, 2023	\$ Change	% Change
Revenues	\$ 114,783	\$ 129,183	\$ (14,400)	(11)%
Cost of sales related to inventory production	(70,973)	(92,041)	21,068	(23)%
Gross profit	43,810	37,142	6,668	18 %
Fixed asset impairment	(121)	—	(121)	— %
Selling, general and administrative expenses	(49,315)	(56,472)	7,157	(13)%
Operating expenses	(49,436)	(56,472)	7,036	(12)%
Loss from operations	(5,626)	(19,330)	13,704	(71)%
Other income / (expense), net	25,701	(14,553)	40,254	(277)%
Profit /(loss) before provision for income taxes	20,075	(33,883)	53,958	(159)%
Income tax expense	(21,838)	(2,297)	(19,541)	851 %
Net loss	(1,763)	(36,180)	34,417	(95)%
Net profit attributable to non-controlling interests	97	545	(448)	(82)%
Net loss attributable to The Cannabist Company Holdings Inc.	\$ (1,860)	\$ (36,725)	\$ 34,865	(95)%

Revenues

The decrease in revenue of \$14,400 for the three months ended September 30, 2024, as compared to the prior year period, was driven by the net decline in revenue of \$3,850 in our existing retail and wholesale operations and a decline of \$11,145 from the sale or closure of certain operations. This was partly offset by the expansion of new retail facilities which contributed to a revenue growth of \$595 during the three months ended September 30, 2024, as compared to the prior period.

Cost of Sales

The decrease in cost of sales of \$21,068 for the three months ended September 30, 2024, as compared to the prior year period, was driven by a cost of sales decreased of \$14,585 in our existing retail and wholesale operations, including from inventory impairment, and from the sale or closure of certain operations of \$6,685. This was partly offset by an increase of \$202 from the expansion of new retail facilities, as compared to the prior period.

Gross Profit

The increase in gross profit of \$6,668 for the three months ended September 30, 2024, as compared to the prior year period, was directly attributable to the decline in revenues and decline cost of sales as described above. The increase in gross margin (percent) was primarily driven by maturation of production facilities as well as the adult use conversion of specific markets.

Operating Expenses

The decrease of \$7,036 in operating expenses for the three months ended September 30, 2024, as compared to the prior year period, was primarily attributable to a decrease in salary and benefits expenses of \$6,898, depreciation and amortization of \$3,703, advertisement and promotion expense \$472, professional fees of \$317. This was partially offset by an increase in operating office and general expenses of \$3,221, operating facilities costs of \$124, and other fees and expenses of \$888, and fixed asset impairment of \$121.

Other Income, Net

The increase in other income, net of \$40,254 for the three months ended September 30, 2024, as compared to the prior year period, was primarily due to a gain on disposal group of \$40,444, interest expense on debt of \$3,906, change in fair value of the derivative liability of \$25, and other income (expense), net of \$1,208. This was partially offset by a decrease in change in fair value of investments of \$4,195, restructuring expense \$639, rental income of \$536.

Provisions for Income Taxes

The Company recorded income tax expense of \$21,838 for the three months ended September 30, 2024, as compared to an income tax expense of \$2,297 for the three months ended September 30, 2023.

The following table summarizes our results of operations for the nine months ended September 30, 2024 and 2023:

	For the nine months ended			
	September 30, 2024	September 30, 2023	\$ Change	% Change
Revenues	\$ 362,584	\$ 382,962	\$ (20,378)	(5)%
Cost of sales related to inventory production	(228,185)	(246,617)	18,432	(7)%
Gross profit	134,399	136,345	(1,946)	(1)%
Fixed asset impairment	(121)	—	(121)	— %
Selling, general and administrative expenses	(142,634)	(163,895)	21,261	(13)%
Operating expenses	(142,755)	(163,895)	21,140	(13)%
Loss from operations	(8,356)	(27,550)	19,194	(70)%
Other expense, net	(1,270)	(54,948)	53,678	(98)%
Loss before provision for income taxes	(9,626)	(82,498)	72,872	(88)%
Income tax expense	(40,348)	(19,291)	(21,057)	109 %
Net loss	(49,974)	(101,789)	51,815	(51)%
Net profit attributable to non-controlling interests	1,300	1,139	161	14 %
Net loss attributable to The Cannabist Company Holdings Inc.	\$ (51,274)	\$ (102,928)	\$ 51,654	(50)%

Revenues

The decrease in revenue of \$20,378 for the nine months ended September 30, 2024, as compared to the prior year period, was driven by the net decline in revenue of \$9,607 in our existing retail and wholesale operations and a decline of \$11,438 from the sale or closure of certain operations. This was partly offset by the expansion of new retail facilities which contributed to a revenue growth of \$667 during the nine months ended September 30, 2024, as compared to the prior period.

Cost of Sales

The decrease in cost of sales of \$18,432 for the nine months ended September 30, 2024, as compared to the prior year period, was driven by a cost of sales decrease of \$10,702 in our existing retail and wholesale operations, including from inventory impairment, and from the sale or closure of certain operations of \$7,957. This was partly offset by an increase of \$227 from the expansion of new retail facilities, as compared to the prior period.

Gross Profit

The decrease in gross profit of \$1,946 for the nine months ended September 30, 2024, as compared to the prior year period, was directly attributable to the decline in revenues and decline in cost of sales as described above. The increase in gross margin (percent) was primarily driven by maturation of production facilities as well as the adult use conversion of specific markets.

Operating Expenses

The decrease of \$21,140 in operating expenses for the nine months ended September 30, 2024, as compared to the prior year period, was primarily attributable to a decrease in salary and benefits expenses of \$21,519, depreciation and amortization of \$6,990, advertisement and promotion expense \$1,835, professional fees of \$1,506 and other fees and expenses of \$20. This was partially offset by an increase in operating office and general expenses of \$9,890, operating facilities costs of \$719, and fixed asset impairment of \$121.

Other income (expense), Net

The increase in other income, net of \$53,678 for the nine months ended September 30, 2024, as compared to the prior year period, was primarily due to an increase in loss on disposal group of \$48,910 interest expense on debt of \$10,777, and other income (expense), net of \$2,092. This was partially offset by a decrease in change in fair value of investments of \$4,195, change in fair value of the derivative liability of \$2,274, rental income of \$2,168, and restructuring expense \$1,937.

Provisions for Income Taxes

The Company recorded income tax expense of \$40,348 for the nine months ended September 30, 2024, as compared to an income tax expense of \$19,291 for the nine months ended September 30, 2023.

Non-GAAP Measures

We use certain non-GAAP measures, referenced in this MD&A. These measures are not recognized measures under GAAP and do not have a standardized meaning prescribed by GAAP and therefore may not be comparable to similar measures presented by other companies. Accordingly, these measures should not be considered in isolation from nor as a substitute for our financial information reported under GAAP. We use non-GAAP measures including EBITDA, Adjusted EBITDA and Adjusted EBITDA margin which may be calculated differently by other companies. These non-GAAP measures and metrics are used to provide investors with supplemental measures of our operating performance and liquidity and thus highlight trends in our business that may not otherwise be apparent when relying solely on GAAP measures. These supplemental non-GAAP financial measures should not be considered superior to, as a substitute for, or as an alternative to, and should be considered in conjunction with, the GAAP financial measures presented. We also recognize that securities analysts, investors, and other interested parties frequently use non-GAAP measures in the evaluation of companies within our industry. Finally, we use non-GAAP measures and metrics in order to facilitate evaluation of operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of executive compensation.

The following table provides a reconciliation of net loss for the period to EBITDA and Adjusted EBITDA for the three and nine months ended September 30, 2024, and 2023:

	Three months ended		Nine months ended	
	September 30, 2024	September 30, 2023	September 30, 2024	September 30, 2023
Net loss	\$ (1,763)	\$ (36,180)	\$ (49,974)	\$ (101,789)
Income tax	21,838	2,297	40,348	19,291
Depreciation and amortization	11,767	17,929	39,314	47,607
Interest expense, net and debt amortization	13,127	14,500	38,728	41,956
EBITDA (Non-GAAP measure)	44,969	(1,454)	68,416	7,065
Adjustments:				
Share-based compensation	2,374	8,321	(2,588)	18,304
Transaction and other non-core costs, including costs associated with the Cresco Labs Inc. transaction, litigation expenses and other costs related to restructuring	—	1,720	(1,108)	4,502
Fair-value changes on investments and derivative liabilities	4,195	25	6,524	55
Adjustments for acquisition and other non-core costs	2,393	—	10,364	4,795
Restructuring expense	1,207	11,147	5,749	14,391
Fixed asset impairment	121	—	121	—
Net (gain) / loss on deconsolidation	(40,444)	694	(39,821)	3,167
Impairment on disposal group	—	40	—	9,689
Adjusted EBITDA (Non-GAAP measure)	\$ 14,815	\$ 20,493	\$ 47,657	\$ 57,173
Revenue	\$ 114,783	\$ 129,183	\$ 362,584	\$ 382,962
Adjusted EBITDA (Non-GAAP measure)	14,815	20,493	47,657	57,173
Adjusted EBITDA margin (Non-GAAP measure)	12.9 %	15.9 %	13.1 %	14.9 %
Revenue	\$ 114,783	\$ 129,183	\$ 362,584	\$ 382,962
Gross profit	43,810	37,142	134,399	136,345
Gross margin	38.2 %	28.8 %	37.1 %	35.6 %

Adjusted EBITDA

The decrease in Adjusted EBITDA for the three and nine months ended September 30, 2024, as compared to the prior year period, was primarily driven by declines in gross profit in the ongoing wholesale and retail operations and through restructuring and disposal activity, partially offset by improved leverage of revenues across selling, general, and administrative expenses such as facility costs, salary costs, and benefit costs.

Our future financial results are subject to significant potential fluctuations caused by, among other things, growth of sales volume in new and existing markets and our ability to control operating expenses. In addition, our financial results may be impacted significantly by changes to the regulatory environment in which we operate, on a local, state, and federal level.

Liquidity and Capital Resources

Our primary need for liquidity is to fund working capital requirements of our business, capital expenditures and for general corporate purposes. Historically, we have relied on external financing as our primary source of liquidity. Our ability to fund our operations and to make capital expenditures depends on our ability to successfully secure financing through issuance of debt or equity, as well as our ability to improve our future operating performance and cash flows, which are subject to prevailing economic conditions and financial, business and other factors, some of which are beyond our control.

We are currently meeting our obligations and are earning revenues from our operations. However, we have sustained losses since inception and may require additional capital in the future. We estimate that based on our current business operations and working capital, we will continue to meet our obligations in the short term. As we continue to focus on profitability, we endeavor to remain opportunistic on growth through expansion or acquisition, therefore our cash flow requirements and obligations could materially change. As of September 30, 2024, we did not have any significant external capital requirements.

Recent Financing Transactions

September 2023 Offering

On September 18, 2023, the Company entered into subscription agreements with the September 2023 Investors for the purchase and sale of 22,244,210 September 2023 Units at a price of C\$1.52 per September 2023 Unit pursuant to a private placement, for aggregate gross proceeds of approximately C\$33.8 million or approximately \$25 million. Each September 2023 Unit consists of one Common Share (or Common Share equivalent) and one half of one September 2023 Warrant that entitles the holder to acquire one Common Share at a price of C\$1.96 per Common Share, a 29% premium to issue, for a period of three years following the closing of the Initial Tranche. The Initial Tranche consisted of an aggregate of 21,887,240 Common Shares, 11,122,105 September 2023 Warrants and 356,970 September 2023 Pre-Funded Warrants that provide the holder the right to purchase one Common Share at an exercise price of C\$0.0001 per Common Share. The September 2023 Offering closed on September 21, 2023.

The Company used the proceeds from the September 2023 Offering to reduce its outstanding indebtedness.

The September 2023 Investors had the option to purchase \$25 million in additional September 2023 Units at a price equal to the Issue Price, upon written notice to the Company at any time up to November 2, 2023, which was not exercised. In connection with the September 2023 Offering, the Company and the September 2023 Investors entered into a customary registration rights agreement, pursuant to which the Company filed a registration statement on Form S-1 on October 17, 2023 to register the resale of the Common Shares underlying the September 2023 Units. The September 2023 Units were subject to limited lock-up requirements.

January 2024 Debt Exchange

On January 22, 2024, the Company entered into an exchange agreement, as amended on June 30, 2024 and September 30, 2024 (the “Exchange Agreement”), with certain holders (the “Holders”) of the Company’s 6.0% senior secured 2025 Convertible Notes, pursuant to which the Company agreed to repurchase (the “Repurchase”) of up to \$25 million principal amount of the 2025 Convertible Notes in exchange for Common Shares.

Pursuant to the terms of the Exchange Agreement, the Holders shall:

- by January 31, 2024, transfer \$5 million principal amount of 2024 Convertible Notes in consideration of Common Shares issued at a price per Common Share equal to the greater of C\$0.41 per Common Share and the 12.5% discount to the 5-day volume weighted average price of the Common Shares (the “Initial Exchange Price”) on Cboe prior to receipt of a Transfer notice;
- provided that the five-day volume weighted average price of the Common Shares on the Cboe is greater than C\$0.47 as of the close of trading at 4:01pm on January 31, 2024, transfer \$5 million principal amount of 2025 Convertible Notes in consideration of Common Shares issued at the Initial Exchange Price on or prior to February 29, 2024; and

- provided that the February Exchange is completed and the daily volume weighted average price of the Common Shares on Cboe is greater than C\$0.87 for 5 consecutive trading days, provided that, the trading volume of the Common Shares on Cboe was equal to or greater than 600,000 Common Shares on the applicable trading dates, from the period commencing on January 1, 2024 and ending on December 31, 2024, transfer in three separate equal tranches, an aggregate of \$15 million principal amount of 2025 Convertible Notes in consideration of Common Shares issued at a price per Common Share equal to the greater of C\$0.57 per Common Share and the 12.5% discount to the 5-day volume weighted average price of the Common Shares on Cboe prior to receipt of a Transfer notice, in each case, subject to adjustment in certain instances, on or prior to December 31, 2024.

In the event the conditions are fulfilled and the Holders fail to Transfer their 2025 Convertible Notes in accordance with the terms of the Exchange Agreement, the Company has the right, but not the obligation, to require the Holders to Transfer some or all of the portion of the \$25 million principal amount of 2025 Convertible Notes still held by the Holders. Assuming all of the conditions are fulfilled, and the entire \$25 million principal amount of 2025 Convertible Notes are Transferred for Common Shares issued at the minimum prices set out in the Exchange Agreement, a maximum of 68,564,698 Common Shares would be issued in connection with the Repurchase. Through September 30, 2024, \$10 million of the potential \$25 million exchange has been completed, with \$15 million remaining available for exchange, \$5 million principal amount of Notes were separately exchanged into the Company 2027 Notes, as described immediately below.

2027 Convertible Notes

On March 19, 2024, the Company closed a private placement (the “March 2024 Private Placement”) of \$25,750 aggregate principal amount of 9.0% senior-secured first-lien notes due 2027 (the “2027 Notes”) and received aggregate gross proceeds of \$15,600. The 2027 Notes are senior secured obligations of the Company and were issued at 80.0% of face value. The 2027 Notes accrue interest in arrears which is payable semi-annually and mature on March 19, 2027. In connection with the offering of the 2027 Notes, the Company exchanged \$5,000 of the Company’s existing 6.0% 2025 Convertible Notes.

The Company determined that the 2027 Notes represent an obligation to issue a fixed number of shares for a fixed amount of liability. In accordance with ASC 480 – Distinguishing Liabilities from Equity, a conversion feature within a financial instrument to issue a variable number of equity units fails to meet the definition of equity. Accordingly, such a conversion feature must be accounted for as an embedded derivative liability and measured at fair value with changes in fair value recognized in the consolidated statements of operations. Upon initial recognition, the Company recorded a derivative liability of \$2,362 within other long-term liabilities in the consolidated balance sheets and a corresponding debt premium and debt issuance costs of \$5,952, reflected as a reduction to the carrying value of the 2027 Notes. The Company fair values the derivative liability at each balance sheet date. Changes in fair value of the embedded derivative are recognized in the condensed consolidated statements of operations and comprehensive loss. The debt premium and debt issuance costs is amortized over the term of the 2027 Notes.

Mortgages

On August 10, 2023, the Company entered into two term loans and security agreements with a bank as follows:

- The first agreement provides for a \$6,250 mortgage on real property in Maryland and carries interest at a variable rate per annum equal to the Index plus 2.25%. The debt is repayable in 59 monthly installments and a final balloon payment due on September 1, 2028, which is estimated at \$5,937 as of September 30, 2024. In connection with this mortgage, the Company incurred financing costs of \$195 and netted \$2,903 after the repayment of a prior outstanding mortgage on the property.
- The second agreement provides for a \$1,800 mortgage on real property in Delaware and carries interest at a variable rate per annum equal to the Index plus 2.25%. The debt is repayable in 59 monthly installments and a final balloon payment due on September 1, 2028, which is estimated at \$1,710 as of September 30, 2024. In connection with this mortgage, the Company incurred financing costs of \$77 and netted \$1,723.

Cash Flows

The following table summarizes the sources and uses of cash for each of the periods presented:

	Nine months ended	
	September 30, 2024	September 30, 2023
Net cash used in operating activities	\$ (27,674)	\$ (1,909)
Net cash provided by investing activities	30,285	21,938
Net cash used in financing activities	(6,878)	(5,927)
Net decrease in cash	<u>\$ (4,267)</u>	<u>\$ 14,102</u>

Operating Activities

During the nine months ended September 30, 2024, operating activities used \$27,674 of cash, primarily resulting from a net loss of \$49,974, deferred taxes of \$2,723, legal settlement of \$1,108 gain on deconsolidation of subsidiary of \$39,821, and equity-based compensation expense of \$2,588; this was partially offset by depreciation and amortization of \$39,314, debt amortization expense of \$6,794, provision for obsolete inventory of \$5,671, change in fair value of derivative liability of \$2,329, change in fair value of investment of \$4,195, other items of \$957, and net change in operating assets and liabilities of \$9,280. The net change in operating assets and liabilities was primarily due to an increase in accounts receivable of \$3,406, inventory of \$11,566, prepaid expenses and other current assets of \$4,255, notes receivable of \$314, other assets of \$1,388, decrease in accounts payable of \$543, and accrued expenses and other current liabilities of \$11,281. This was partially offset by an increase in income tax payable of \$38,583 and other long term liabilities of \$3,450.

During the nine months ended September 30, 2023, operating activities used \$1,909 of cash, primarily resulting from a net loss of \$101,789 and a change in deferred taxes of \$6,475; this was partially offset by depreciation and amortization of \$47,607, equity-based compensation expense of \$18,304, loss on disposal group of \$10,750, loss on deconsolidation of subsidiary of \$2,473, change in fair value of Derivative liability of \$55, debt amortization expense of \$7,366, provision for obsolete inventory and other assets of \$8,126, other items of \$646, and net changes in operating assets and liabilities of \$11,028.

Investing Activities

During the nine months ended September 30, 2024, investing activities provided \$30,285 of cash mainly due to the proceeds from the sale of the Utah, Arizona, and Eastern Virginia businesses of \$34,371, cash paid on deposits, net of \$268 and proceeds from sale of license of \$329. This was partially offset by purchases of property and equipment of \$4,147, and cash paid on deposits, net of \$268

During the nine months ended September 30, 2023, investing activities provided \$21,938 of cash mainly due to proceeds from sale of property and equipment of \$3,189, proceeds for stock issuance of \$23,872, proceeds from deconsolidation of Missouri entity of \$3,040, and net cash received on deposits of \$97. This was partially offset by cash used in purchases of property and equipment of \$8,260.

Financing Activities

During the nine months ended September 30, 2024, financing activities used \$6,878 of cash, mainly due to repayments of debt of \$13,228, payment of lease liabilities of \$5,323, payment of debt issuance costs of \$802, repayment of sellers note of \$1,119, taxes paid on equity based compensation of \$1,255, distributions of \$333, and repayment of mortgage notes of \$418. This was partially offset by proceeds from issuance of convertible debt of \$15,600.

During the nine months ended September 30, 2023, financing activities used \$5,927 of cash, mainly due to the payment of lease liabilities of \$6,153, payment of debt issuance costs of \$802, distributions to non-controlling interest holders of \$431, taxes paid on equity-based compensation of \$456, repayment of a seller's note of \$1,125, and repayment of debt of \$5,592. This was partially offset by cash provided by issuance of mortgage of \$8,050.

Contractual Obligations and Commitments

The following table summarizes contractual obligations as of September 30, 2024 and the effects that such obligations are expected to have on our liquidity and cash flows in future periods:

	Payments Due by Period						
	Total	Less than 1 year	Year 1	Year 2	Year 3	Year 4	Year 5 and beyond
Lease commitments	\$ 277,295	\$ 7,281	\$ 26,826	\$ 25,308	\$ 24,596	\$ 22,249	\$ 171,035
Sale-leaseback commitments	213,764	2,547	10,407	10,743	11,090	11,449	167,528
2026 Notes	185,000	—	—	185,000	—	—	—
Interest on 2025 notes and 2026 notes	30,805	4,442	17,575	8,788	—	—	—
Convertible debt (principal)	85,050	—	59,500	—	25,550	—	—
Interest on convertible debt	8,431	1,471	4,085	2,300	575	—	—
Mortgage notes (principal)	43,082	156	653	16,459	18,100	7,714	—
Mortgage notes (interest)	13,008	1,169	4,640	4,564	2,005	630	—
Closing promissory note (principal)	381	381	—	—	—	—	—
Closing promissory note (interest)	8	8	—	—	—	—	—
Total contractual obligations	<u>\$ 856,824</u>	<u>\$ 17,455</u>	<u>\$ 123,686</u>	<u>\$ 253,162</u>	<u>\$ 81,916</u>	<u>\$ 42,042</u>	<u>\$ 338,563</u>

The above table excludes purchase orders for inventory in the normal course of business.

Effects of Inflation

Rising inflation rates have had a substantial impact on our financial performance to date and may have an impact on our financial performance in the future as our ability to pass on an increase in costs is not entirely within our control.

Critical Accounting Estimates

We make judgements, estimates and assumptions about the future that affect assets and liabilities, and revenues and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the review affects both current and future periods.

Judgements, estimates, and assumptions with the most significant effect on the amounts recognized in the consolidated financial statements are described below.

FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Our financial instruments consist of cash and cash equivalents, accounts receivable, notes receivable, deposits and other current assets, accounts payable, accrued expenses, current taxes payable and other current liabilities like interest payable and payroll liabilities, derivative liability, debt, and lease liabilities. The fair values of cash and restricted cash, accounts and notes receivable, deposits, accounts payable and accrued expenses and other current liabilities like interest payable and payroll liabilities, short-term debt and lease liabilities approximate their carrying values due to the relatively short-term to maturity or because of the market rate of interest used on initial recognition. The Cannabist Company classifies its derivative liability as fair value through profit and loss (FVTPL).

Financial instruments recorded at fair value are classified using a fair value hierarchy that reflects the significance of the inputs to fair value measurements. The three levels of fair value contained within the hierarchy are:

- Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; and
- Level 3 – Inputs for the asset or liability that are not based on observable market data.

Our assets measured at fair value on a nonrecurring basis include investments, assets and liabilities held for sale, long-lived assets, and indefinite-lived intangible assets. We review the carrying amounts of such assets whenever events or changes in

circumstances indicate that the carrying amounts may not be recoverable or at least annually, for indefinite-lived intangible assets. Any resulting asset impairment would require that the asset be recorded at its fair value. The resulting fair value measurements of the assets are considered Level 3 measurements.

Financial Risk Management

We are exposed, in varying degrees, to a variety of financial instrument related risks. Our risk exposures and the impact on our financial instruments is summarized below:

Credit Risk

Credit risk is the risk of a potential loss to us if a customer or third party to a financial instrument fails to meet its contractual obligations. The maximum credit exposure at September 30, 2024 and December 31, 2023, is the carrying amount of cash and cash equivalents, subscription receivable, accounts receivable and notes receivable. We do not have significant credit risk with respect to our customers. All cash deposits are with regulated U.S. financial institutions.

We provide credit to our customers in the normal course of business and have established credit evaluation and monitoring processes to mitigate credit risk but have limited risk as the majority of our sales are transacted with cash. Through our Cannabist Company National Credit program, we provide credit to customers in certain markets in which we operate.

Liquidity Risk

Liquidity risk is the risk that we will not be able to meet our financial obligations associated with financial liabilities. We manage liquidity risk through the management of our capital structure. Our approach to managing liquidity is to estimate cash requirements from operations, capital expenditures and investments and ensure that we have sufficient liquidity to fund our ongoing operations and to settle obligations and liabilities when due.

To date, we have incurred significant cumulative net losses and we have not generated positive cash flows from our operations. We have therefore depended on financing from the sale of our equity and from debt financing to fund our operations. Overall, we do not expect the net cash contribution from our operations and investments to be positive in the near term, and we therefore expect to rely on financing from equity or debt.

Market Risk

In addition to business opportunities and challenges applicable to any business operating in a fast-growing environment, our business operates in a highly regulated and multi-jurisdictional industry, which is subject to potentially significant changes outside of our control as individual states as well as the U.S. federal government may impose restrictions on our ability to grow our business profitably or enact new laws and regulations that open up new markets.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of our financial instrument will fluctuate because of changes in market interest rates. Our cash deposits bear interest at market rates.

Currency Risk

Our operating results and financial position are reported in thousands of U.S. dollars. We may enter into financial transactions denominated in other currencies, which would result in your operations and financial position becoming subject to currency transaction and translation risks.

As of September 30, 2024, and December 31, 2023, we had no hedging agreements in place with respect to foreign exchange rates. We have not entered into any agreements or purchased any instruments to hedge possible currency risks at this time.

Price Risk

Price risk is the risk of variability in fair value due to movements in equity or market prices. We are subject to the risk of price variability pursuant to our products due to competitive or regulatory pressures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no significant material changes to the market risks as disclosed in the Company's 2023 Form 10-K. See also Financial Risk Management in Part I, Item 2 of this Form 10-Q.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report were effective to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms and that it is accumulated and communicated to management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control

There were no changes in the Company's internal control over financial reporting (as defined in Rules 13a-15(f) under the Securities Exchange Act of 1934, as amended) during the nine months ended September 30, 2024 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II—OTHER INFORMATION**Item 1. Legal Proceedings.**

Not applicable.

Item 1A. Risk Factors

As of the date of this filing, except as noted below, there have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of the Company's 2023 Form 10-K, which is incorporated by reference herein.

The Company's efforts to obtain needed capital resources and sources of liquidity may not be sufficient to support its business operations and future growth strategies.

The Company's efforts to obtain needed capital resources and sources of liquidity may not be sufficient to support its business operations and future growth strategies. In addition, the Company is required to make certain interest payments on existing debt and to meet certain cash requirements, including, without limitation, maintaining \$10,000 in unrestricted cash. If the Company is unable to satisfy its liquidity and capital resource requirements, the Company may be forced to restructure its obligations to creditors, pursue work-out options or other protective measures.

The Company's ability to obtain additional capital on acceptable terms or at all is subject to a variety of uncertainties. Adequate alternative financing may not be available or, if available, may only be available on unfavorable terms or subject to covenants that the Company may not be able to satisfy. There is no assurance that the Company will obtain the capital it requires. As a result, there can be no assurance that the Company will be able to fund its liquidity needs, future operations or growth strategies. Furthermore, the Company may incur substantial costs in pursuing future capital and financing, including investment banking fees, legal fees, accounting fees, printing and distribution expenses and other costs.

Item 2. Unregistered Sales of Securities and Use of Proceeds

The following table contains information regarding purchases of Common Shares during the three months ended September 30, 2024 by or on behalf of the Company or any "affiliate purchaser" as defined in Rule 10b-18(a)(3) under the Securities Exchange Act of 1934, as amended:

Issuer Purchases of Equity Securities				
Period (Settlement Date)	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs	Approximate dollar value that may yet be purchased under plans or programs
July 1 through July 31 2024	—	\$ —	—	\$ —
August 1 through August 30, 2024	1,746,903(1)	—	—	\$ —
September 1 through September 30, 2024	—	—	—	\$ —
Total	1,746,903	\$ —	—	\$ —

(1) On August 12, 2024, in connection with the settlement of a non-material litigation matter, certain parties agreed to forfeit and transfer 1,746,903 Common Shares back to the Company without consideration.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

a) Not applicable.

b) Securities Trading Plans of Directors and Executive Officers

During the three months ended September 30, 2024, none of our directors or executive officers adopted or terminated any contract, instruction, or written plan for the purchase or sale of the Company's securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement" as defined in Item 408(c) of Regulation S-K.

Item 6. Exhibit Index

Exhibit Number	Description
2.1	Arrangement Agreement, dated March 23, 2022, between Cresco Labs Inc. and Columbia Care Inc. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on March 29, 2022)
2.2	Amending Agreement, dated February 27, 2023, between Cresco Labs Inc. and Columbia Care Inc. (incorporated by reference to Exhibit 2.1 of the Registrant's Current Report on Form 8-K, filed with the SEC on February 28, 2023)
3.1	Articles, dated April 26, 2019 (incorporated by reference to Exhibit 3.1 of the Registrant's Form 8-K, filed with the SEC on September 22, 2023)
3.2	Certificate of Change of Name, dated September 19, 2023 (incorporated by reference to Exhibit 3.2 of the Registrant's Form 8-K, filed with the SEC on September 22, 2023)
4.1	Warrant Agency Agreement dated September 20, 2018 between Canaccord Genuity Growth Corp. and Odyssey Trust Company (incorporated by reference to Exhibit 4.1 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.2	Warrant Agreement dated April 26, 2019 between Columbia Care Inc. and Canaccord Genuity Corp. (incorporated by reference to Exhibit 4.2 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.3	Trust Indenture made as of March 31, 2020 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.3 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.4	Warrant Indenture dated March 31, 2020 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.4 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.5	Trust Indenture made as of May 14, 2020 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.5 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.6	Warrant Indenture dated May 14, 2020 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.6 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.7	First Supplemental Indentures dated as of June 19, 2020 between Columbia Care Inc and Odyssey Trust Company (incorporated by reference to Exhibit 4.7 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.8	Warrant Indenture dated July 2, 2020 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.8 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.9	Warrant Indenture dated October 29, 2020 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.9 of the Registrant's Registration Statement on Form 10, filed with the SEC on December 14, 2021)
4.10	Second Supplemental Indenture dated June 29, 2021 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.10 of the Registrant's amended Registration Statement on Form 10, filed with the SEC on January 28, 2022)
4.11	Third Supplemental Indenture dated February 2, 2022 between Columbia Care Inc. and Odyssey Trust Company (incorporated by reference to Exhibit 4.11 of the Registrant's amended Registration Statement on Form 10, filed with the SEC on February 15, 2022)

- 4.12 [Fourth Supplemental Indenture dated February 3, 2022 between Columbia Care Inc. and Odyssey Trust Company \(incorporated by reference to Exhibit 4.12 of the Registrant’s amended Registration Statement on Form 10, filed with the SEC on February 15, 2022\)](#)
- 4.13 [Fifth Supplemental Indenture dated May 5, 2022 between Columbia Care Inc. and Odyssey Trust Company \(incorporated by reference to Exhibit 4.13 of the Registrant’s Form 8-K, filed with the SEC on May 11, 2022\)](#)
- 4.14 [Extension Notice dated March 28, 2023 to Odyssey Trust Company \(incorporated by reference to Exhibit 4.14 of the Registrant’s Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the SEC on March 29, 2023\)](#)
- 4.15 [Sixth Supplemental Indenture dated September 20, 2023 between The Cannabist Company Holdings Inc. and Odyssey Trust Company \(incorporated by reference to Exhibit 4.15 of the Registrant’s Form 10-Q for the quarter ended March 31, 2024, filed with the SEC on May 9, 2024\)](#)
- 4.16 [Seventh Supplemental Indenture dated March 19, 2024 between The Cannabist Company Holdings Inc. and Odyssey Trust Company \(incorporated by reference to Exhibit 4.16 of the Registrant’s Form 8-K, filed with the SEC on March 20, 2024\)](#)
- 10.1# [Equity Purchase Agreement, dated July 29, 2024, among Verano Holdings, LLC, Verano Holdings Corp., Columbia Care Eastern Virginia LLC and the members of Columbia Care Eastern Virginia LLC and The Cannabist Company Holdings Inc. \(incorporated by reference to Exhibit 10.1 of the Registrant’s Form 8-K, filed with the SEC on July 31, 2024\)](#)
- 10.2 [Form of Verano Holdings, LLC Promissory Note \(incorporated by reference to Exhibit 10.2 of the Registrant’s Form 8-K, filed with the SEC on July 31, 2024\)](#)
- 10.3# [Equity Purchase Agreement, dated July 29, 2024, among Verano Arizona, LLC, 203 Organix L.L.C., CC VA HoldCo LLC, Columbia Care-Arizona, Prescott, L.L.C. and The Cannabist Company Holdings Inc. \(incorporated by reference to Exhibit 10.3 of the Registrant’s Form 8-K, filed with the SEC on July 31, 2024\)](#)
- 10.4# [Equity Purchase Agreement, dated July 29, 2024, among Verano Arizona, LLC, Salubrious Wellness Clinic, Inc., CC VA HoldCo LLC, Thomas Allison, Columbia Care-Arizona, Prescott, L.L.C. and The Cannabist Company Holdings Inc. \(incorporated by reference to Exhibit 10.4 of the Registrant’s Form 8-K, filed with the SEC on July 31, 2024\)](#)
- 10.5* [Fractional CHRO Engagement Agreement, dated August 6, 2024, between our CHRO, LLC and The Cannabist Company Holdings Inc.](#)
- 10.6 [Verano Holdings, LLC Promissory Note \(incorporated by reference to Exhibit 10.2 of the Registrant’s Form 8-K, filed with the SEC on August 22, 2024\)](#)
- 10.7# [Membership Interest Purchase Agreement, dated August 21, 2024, among Columbia Care LLC, Columbia Care Florida LLC, SFL Investment Holdings, LLC, Mint Florida Holdings, LLC, The Cannabist Company Holdings Inc. and The Cerberean Group LLC \(incorporated by reference to Exhibit 10.1 of the Registrant’s Form 8-K, filed with the SEC on August 27, 2024\)](#)
- 10.8# [Form of Promissory Note from SFL Investment Holdings, LLC and Mint Florida Holdings, LLC \(incorporated by reference to Exhibit 10.2 of the Registrant’s Form 8-K, filed with the SEC on August 27, 2024\)](#)
- 10.9# [Purchase Agreement, dated August 22, 2024, among 3 Boys Farm LLC, Cresco U.S. Corp., Columbia Care Florida LLC and Columbia Care LLC \(incorporated by reference to Exhibit 10.3 of the Registrant’s Form 8-K, filed with the SEC on August 27, 2024\)](#)
- 10.10* [Second Amendment to Exchange Agreement, dated September 30, 2024, among The Cannabist Company Holdings Inc., Nomis Bay Ltd. And BPY Limited](#)
- 10.11* [Amendment, dated October 28, 2024, to Equity Purchase Agreement, dated July 29, 2024, among Verano Arizona, LLC, 203 Organix L.L.C., CC VA HoldCo LLC, Columbia Care-Arizona, Prescott, L.L.C. and The Cannabist Company Holdings Inc.](#)
- 31.1* [Certification of Principal Executive Officer Pursuant to Rules 13a-14\(a\) and 15d-14\(a\) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2* [Certification of Principal Financial Officer Pursuant to Rules 13a-14\(a\) and 15d-14\(a\) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1‡ [Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)

32.2‡	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104*	Cover Page Interactive Data File (embedded within the Inline XBRL document)

*Filed herewith.

#Certain exhibits and schedules have been omitted pursuant to Item 601(a)(5) of Regulation S-K. The Company agrees to furnish a copy of any omitted schedule or exhibit to the SEC upon its request.

‡Document has been furnished, is not deemed filed and is not to be incorporated by reference into any of the Company’s filings under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, irrespective of any general incorporation language contained in any such filing.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

THE CANNABIST COMPANY HOLDINGS INC.

Date: November 7, 2024

By: _____ /s/ David Hart
David Hart
Chief Executive Officer

Date: November 7, 2024

By: _____ /s/ Derek Watson
Derek Watson
Chief Financial Officer



Fractional CHRO Engagement Agreement

Exhibit 10.5

This **FRACTIONAL CHRO ENGAGEMENT AGREEMENT** (the “**Agreement**”) dated as of August 6, 2024 (the “**Effective Date**”) is entered into between ourCHRO, LLC (“**ourCHRO**” or “**we**” or “**us**”) and The Cannabist Company Holdings Inc. (“**Cannabist**” or “**you**”). Each of the above-referenced parties is sometimes herein referred to individually as a “**Party**” and, collectively, as the “**Parties.**”

WHEREAS, the Parties desire that Bryan Olson (“**Olson**”), the current Chief Human Resources Officer of Cannabist, continue as the Chief Human Resources Officer of Cannabist, but that he do so as a non-employee consultant via ourCHRO, with 50% of his work-time allocated to Cannabist; and

WHEREAS, the Compensation Committee and non-employee Directors of the Board of Cannabist have unanimously approved the arrangement and the compensation elements thereof;

NOW, THEREFORE, in consideration of the foregoing and the mutual promises made in this Agreement, the receipt and sufficiency of which are hereby conclusively acknowledged, the Parties, agree as follows:

(1) **SERVICES** – Under this Agreement, we will provide to you the consulting services set forth in Exhibit A (the “**Services**”). All Services will be performed in a professional manner consistent with the level of care, skill, practice, and judgment exercised by other senior HR professionals performing services of a similar nature under similar circumstances by personnel with requisite skills, needed to carry out such work. The Services shall materially conform to any mutually agreed upon specifications or descriptions of Services.

(2) **COMPENSATION**

(2.1) **FEES** – Cannabist will pay ourCHRO Twenty Six Thousand Two Hundred Fifty Dollars (\$26,250) per month within the first fifteen (15) days of each month during the Term (each a “**Monthly Fee**”), commencing on August 6, 2024.

(2.2) **EQUITY GRANTS**

(2.2a) **GOING FORWARD EQUITY GRANTS** – ourCHRO shall receive annual equity grants (“**Equity Grants**”) under the Cannabist Omnibus Long-Term Incentive Plan and any applicable award documents, as may be amended from time to time (“**Omnibus Plan**”), based upon achievement of corporate and individual goals. Such Equity Grants are subject to all of the terms and conditions of the Omnibus Plan and any applicable award documents. The vesting schedule, exercise timing, and price per unit (as defined in the applicable award agreement) will be determined in accordance with the Omnibus Plan, but will be consistent with the vesting provisions for C-Suite executives of Cannabist. The target annual Equity Grant amount is Five Hundred Thousand US Dollars (\$500,000), the number of RSUs or other form of equity to be determined in a manner consistent with the calculations use to determine the number of such equity units for the C-Suite executives of Cannabist.

(2.2b) **PRIOR EQUITY GRANTS** – Any outstanding unvested equity previously granted to Olson under the Omnibus Plan, or any prior equity plan of Cannabist, shall continue to vest during the Term of



Fractional CHRO Engagement Agreement

this Agreement. For the avoidance of doubt, services provided under this Agreement shall be considered a continuation of services to Cannabist under the applicable award agreements.

(2.3) 2024 BONUS – Olson will be eligible to participate in Cannabist’s discretionary executive bonus plan (the “**Bonus Plan**”) for 2024 (the “**Bonus Separation Payment**”). Such participation will be determined on a pro-rated basis covering the performance period from January 1, 2024 through July 31, 2024 (the “**Bonus Performance Term**”), subject to terms of the Bonus Plan, with a target bonus of 55% (subject to pro-ration) of Olson’s salary in effect during the Bonus Performance Term, and based upon the achievement of corporate and individual goals. The Bonus Separation Payment will be paid to Olson on the same date that Cannabist pays bonuses to C-Suite executives under the Bonus Plan for 2024. The amount of the Bonus Separation Payment will be determined by Cannabist in good faith.

(2.4) EXPENSES – In most instances, we anticipate that the Services will be provided without any additional expenses. We will seek your pre-approval before incurring any expenses that would be passed on to you. You agree to reimburse our reasonable, pre-approved expenses incurred in performing the Services (“**Expenses**”) no later than thirty (30) days following your receipt of such invoice, provided that reimbursement for Expenses may be delayed until such time as we have furnished such documentation for authorized expenses as you may reasonably request.

(3) TERM – The term of this Agreement will begin on August 6, 2024, and continue until August 5, 2025, and shall continue from year to year thereafter until the effective date of a termination as described in Section 4 below (the “**Term**”).

(4) TERMINATION

(4.1) TERMINATION FOR CAUSE – Cannabist may terminate the Agreement by providing written notice of its intention to terminate the Agreement for Cause. Except as otherwise described in this Section (4.1), such termination shall be effective as of the date following the provision of such notice, as determined by Cannabist. “**Cause**” means Olson’s or ourCHRO’s: (i) engaging in illegal conduct that was or is materially injurious to Cannabist or its affiliates; (ii) violating a federal or state law or regulation applicable to Cannabist’s business which violation was or is reasonably likely to be injurious to Cannabist, except for any violation of the Controlled Substances Act arising from Cannabist’s cultivation and distribution of marijuana; (iii) material breach of the material terms of this Agreement; (iv) commission of a felony or committing any act of moral turpitude or the misappropriation of material property belonging to Cannabist or its affiliates; (v) engaging in any act that constitutes material misconduct, theft, fraud, embezzlement, misrepresentation, conflict of interest, or breach of fiduciary obligations to Cannabist; (vi) gross negligence or willful failure to follow lawful directions of the Board or the Chief Executive Officer of Cannabist, other than due to illness or incapacity; (vii) unauthorized use or disclosure of proprietary information of Cannabist; (viii) actions or conduct which is detrimental to the business or financial reputation of Cannabist; or (ix) material violation of any material policies of Cannabist; provided that, with respect to subpart (ix), Olson and/or ourCHRO must be provided with written notice of termination for Cause (including an explanation of the basis for Cause) and be provided with a 30-day period following receipt of such notice to cure the event(s) that trigger Cause. The Chief Executive Officer and/or the Compensation Committee of the Board of Directors of Cannabist shall make the final determination in good faith as to whether Olson and/or ourCRHO has cured the existence of Cause.



Fractional CHRO Engagement Agreement

(4.2) TERMINATION WITH NOTICE; OR WITH PAYMENT IN LIEU OF NOTICE – Olson may terminate this Agreement at any time and for any reason, provided that written notice is sent at least twelve (12) months prior to the effective date of termination. Beginning on January 6, 2025, Cannabist may terminate this Agreement at any time and for any reason, provided that written notice is sent at least twelve (12) months prior to the effective date of termination. Cannabist may, at its absolute discretion, when terminating Agreement pursuant to Section (4.2), elect to notify ourCHRO in writing that it is exercising its right to terminate the Agreement with immediate effect and that it will be making a payment to ourCHRO in lieu of notice. Cannabist’s payment in lieu of notice shall be equivalent to twelve (12) times the Monthly Fee.

(5) INDEPENDENT CONTRACT RELATIONSHIP – ourCHRO’s relationship with Cannabist is that of an independent contractor, and nothing in this Agreement is intended to, or shall be construed to, create a partnership, agency, joint venture, employment or similar relationship. We are solely responsible for all tax returns and payments required to be filed with, or made to, any federal, state or local tax authority with respect to the performance of services and receipt of fees under this Agreement.

(6) CONFIDENTIALITY – We understand that all information regarding Cannabist or any of your officers or employees that is made available, furnished or communicated to us, or that we otherwise learn during the course of work in connection with this Agreement and any advice, information or recommendations that we provide to Cannabist or any of the above individuals is considered to be confidential, sensitive or proprietary information, and we agree that we will not disclose any such information to any third parties, except and only to the extent required by law in the written opinion of our outside legal counsel after prompt notice to Cannabist (in which case we will cooperate in any reasonable efforts by Cannabist to obtain confidential or other protective treatment of the information) or as otherwise authorized by Cannabist. This paragraph shall not apply to information that is or becomes publicly available through no fault of ourCHRO. Notwithstanding the foregoing, we may retain archival copies of such confidential information, provided that such retained confidential information shall remain subject to the terms of this Agreement.

(7) NO CONFLICT OF INTEREST – During the Term of this Agreement, we will not accept work, enter into a contract, or accept an obligation inconsistent or incompatible with our obligations, or the scope of services to be rendered for Cannabist under this Agreement.

(8) INDEMNIFICATION – In the event that Olson is made a party or threatened to be made a party to any action, suit, or proceeding, whether civil, criminal, administrative or investigative (collectively, a “**Proceeding**”) by reason of the fact that he is or was a former employee or officer of Cannabist, or is or was serving at the request of Cannabist as an officer, employee or agent of another corporation, subsidiary, affiliate or a partnership, joint venture, trust or other enterprise (excluding ourCHRO) , or because of conduct properly undertaken by Olson in executing his duties pursuant to this Agreement or otherwise acting at the direction of Cannabist, he shall be indemnified and held harmless by Cannabist to the fullest extent permitted by, and except as prohibited under applicable law, from and against any liabilities, costs, claims and expenses, including all costs and expenses incurred in defense of any Proceeding (including attorneys’ fees). Notwithstanding the foregoing, this indemnification provision shall not apply to any Proceeding initiated by Olson or Cannabist relating to any dispute between Olson and Cannabist. Olson shall be required to reimburse Cannabist for any amounts for which Cannabist indemnified him if he is found by a court of competent jurisdiction to have engaged in willful misconduct with respect to the claims for which he was previously indemnified.

(9) GENERAL PROVISIONS



Fractional CHRO Engagement Agreement

(9.1) CANNABIST ISSUED COMPUTER EQUIPMENT – All computer equipment issued by Cannabist to Olson during his time employed by the Company, shall be retained by him during the Term of this Agreement.

(9.2) GOVERNNING LAW – This Agreement will be governed by the laws of the State of Florida. In the event of any dispute or controversy between the parties with respect to the matters contemplated in the Agreement, the parties consent to the sole and exclusive jurisdiction of the state and federal courts sitting in the State of Florida and waive any defense to the jurisdiction thereof based on lack of jurisdiction, improper venue, forum non conveniens, or otherwise.

(9.3) SUCCESSORS AND ASSIGNS – This Agreement will be binding on and inure to the benefit of the successors and assigns of the respective parties, including (without limitation) any successor organization to your company.

(9.4) ENTIRE AGREEMENT – This Agreement contains the entire understanding of the parties with respect to the subject matter contained in the Agreement. All express or implied representations, agreements and understandings with respect to the subject matter of the Agreement, either oral or written, previously made are expressly superseded by this Agreement. This Agreement may be amended or modified only by a written instrument duly executed by both parties.

The parties have executed this Agreement as of the Effective Date.

ourCHRO, LLC

By: _____
Name: Bryan L. Olson
Title: Founder & Global Managing Partner

THE CANNABIST COMPANY HOLDINGS INC.

By: _____
Name: David Hart
Title: Chief Executive Officer



Fractional CHRO Engagement Agreement

EXHIBIT A Description of Services

The Services to be provided under this Agreement are as follows:

- Bryan Olson to allocate fifty percent (50%) of his working time to function as the Chief HR Officer for Cannabist, with the following key deliverables:
 - Overseeing all aspects of the Human Resources function, including developing and executing human resource strategy in support of the overall business plan and strategic direction of the organization, specifically in the areas of labor & employee relations, recruiting, talent management, change management, organizational design, culture, employee engagement, performance management, training & development, diversity & inclusion, payroll, and compensation & benefits
 - Manage the relationship with the Compensation Committee of the Board of Directors and function as its Secretary and, upon request, assist with transition of those responsibilities
 - Providing guidance, advice, counsel, and support to executives in the Human Resources function
 - Functioning as a member of, and strategic advisor to, the senior leadership team
 - Continuing to represent Cannabist on the A-Frame Board, and remaining listed on cannabis licenses, as needed
- If the agreement with Sherry Gingerich (currently contracted under an agreement between Cannabist and Ask Sherry LLC) is continued beyond March 2025, her services would be provided under this Agreement, and would reduce Olson's time allocated to Cannabist on an hour-for-hour basis

Exhibit 10.10

SECOND AMENDMENT TO EXCHANGE AGREEMENT

SECOND AMENDMENT dated September 30, 2024 (the “**Second Amendment**”) to the Exchange Agreement (the “**Exchange Agreement**”) dated January 22, 2024 and amended June 30, 2024, between The Cannabist Company Holdings Inc., a British Columbia company (the “**Company**”), Nomis Bay Ltd. and BPY Limited (collectively, the “**Holders**” and together with the Company, the “**Parties**”).

WHEREAS the Parties wish to amend the Exchange Agreement as contemplated in this Second Amendment,

NOW THEREFORE, in consideration of the foregoing and the mutual agreements contained in this Amendment (the receipt and adequacy of which are acknowledged), the parties agree as follows.

1. **Defined Terms.**

Capitalized terms used but not otherwise defined have the meanings specified in the Exchange Agreement.

2. **Outside Date.**

The definition of “Outside Date” in Section 1(28) is hereby deleted in its entirety and replaced with the following:

“**Outside Date**” means (i) the Transfer Deadline, or (ii) in the event the Tertiary 2024 Exchange Condition is satisfied and neither the Tertiary 2024 Exchange or the 2024 Alternate Exchange have been completed at or prior to the Transfer Deadline, January 31, 2025.

3. **Transfer Deadline.**

The definition of “Transfer Deadline” in Section 1(41) is hereby deleted in its entirety and replaced with the following:

“**Transfer Deadline**” means 5:00 p.m. (Toronto time) on December 31, 2024.

4. **Reference to and Effect on Agreements.**

On and after the date of this Second Amendment, any reference to “this Agreement” in the Exchange Agreement and any reference to the Exchange Agreement in any other agreements will mean the original Exchange Agreement as amended by the First Amendment and this Second Amendment. Except as specifically amended by this Second Amendment, the provisions of the Exchange Agreement shall remain in full force and effect.

5. **Successors and Assigns.**

This Second Amendment becomes effective when executed by the Parties. After that time, it will be binding upon and (subject to the terms of the Exchange Agreement) enure to the benefit of the Parties and their respective successors and permitted assigns.

6. **Governing Law.**

This Second Amendment shall be governed by and interpreted and enforced in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

7. **Counterparts.**

This Second Amendment may be executed in two (2) or more counterparts, and by the different parties to this Second Amendment in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Second Amendment by facsimile or electronic mail shall be as effective as delivery of a manually executed counterpart of this Second Amendment.

[Signature Page Follows]

IN WITNESS WHEREOF the parties have executed this Agreement.

**THE CANNABIST COMPANY
HOLDINGS INC.**

By: _____

Name: David Hart

Title: Chief Executive Officer

BPY LIMITED

By: _____

Name:

Title:

NOMIS BAY LTD.

By: _____

Name:

Title:

**AMENDMENT TO THE
EQUITY PURCHASE AGREEMENT**

THIS AMENDMENT TO THE EQUITY PURCHASE AGREEMENT (this "Amendment") is effective as of October 28, 2024, by and between Verano Arizona, LLC, an Arizona limited liability company ("Buyer"), and The Cannabist Company Holdings Inc., a British Columbia corporation, acting in its individual capacity and as the Member representative ("Cannabist").

RECITALS

WHEREAS, Buyer, 203 Organix, L.L.C., an Arizona limited liability company (the "Company"), Columbia Care-Arizona, Prescott, L.L.C., an Arizona limited liability company, Cannabist and solely for the purposes of Sections 2.4(d) and 6.2(e), CC VA Holdco LLC, a Delaware limited liability company, are party to that certain Equity Purchase Agreement, dated as of July 29, 2024 (the "Purchase Agreement");

WHEREAS, the Purchase Agreement may be amended by the written agreement of Buyer and Cannabist; and

WHEREAS, the parties hereto desire to amend the Purchase Agreement as set forth herein, in accordance with the terms set forth in the Purchase Agreement.

NOW, THEREFORE, in consideration of the premises, the mutual covenants set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

AGREEMENT

1. **Definitions.** Capitalized terms used herein and not defined herein shall have the meaning ascribed to such term as set forth in the Purchase Agreement, and all references to Sections shall mean the Sections of the Purchase Agreement unless reference is made to another document.

2. **Amendments to the Purchase Agreement.** Section 6.3(e) is hereby deleted in its entirety and replaced with the following:

(e) **Section 338(h)(10) Election.**

(i) Buyer and the Member shall join in the making of a timely election under Code Section 338(h)(10) and any corresponding elections under state or local Tax Law (collectively, the "Section 338(h)(10) Election") with respect to the sale of the Equity. As soon as reasonably practicable following the Closing Date, Buyer and the Member shall exchange completed and executed copies of IRS Form 8023 and any other form or schedule required to effect the Section 338(h)(10) Election (and any required schedules thereto) and timely file the same with the IRS and other applicable Governmental Entities. The Member shall pay any Tax on income or gain recognized by the Company as a result of the Section 338(h)(10) Election and shall indemnify Buyer against any Loss arising out of the failure to pay any such Taxes.

(ii) Reasonably promptly following the determination of the Final Purchase Price, Buyer shall prepare and deliver to the Member for its review a schedule (the “Closing Consideration Allocation”), which shall set forth a calculation and proposed allocation of the “aggregate deemed sales price” (as defined in Treasury Regulations §1.338-4) (the “ADSP”) and the “adjusted gross-up basis” (as defined in Treasury Regulations §1.338-5) (the “AGUB”) among the assets of the Company deemed sold as a result of the Section 338(h)(10) Election, in each case for U.S. federal and applicable state and local income Tax purposes in a manner consistent with Code Sections 338 and 1060 and the Treasury Regulations promulgated thereunder. If the Member disagrees with Buyer’s Closing Consideration Allocation, the Member shall provide the Buyer with comments within 30 days after the Buyer’s delivery of the Closing Consideration Allocation to the Member. The Buyer and the Member shall negotiate in good faith to determine the Closing Consideration Allocation in preparing the final allocation schedule (the “Final Allocation”). If the Buyer and the Member are unable to agree upon the Final Allocation after 30 days, the Buyer and the Member shall submit their dispute to the Valuation Firm. The Valuation Firm shall be directed to review such items in accordance with Section 2.4(b) as if it applied to the resolution of the dispute relating to the Final Allocation *mutatis mutandis* and determine, within 30 days, the changes to Buyer’s Closing Consideration Allocation that are required to conform it to the Asset Purchase Price Allocation. The resolution of the disputed items relating to the Final Allocation will be conclusive, final and binding on the Parties and the version, with the determinations of the Valuation Firm, shall be the Final Allocation for purposes of this Agreement. The fees and expenses of the Valuation Firm in resolving the disputes relating to the Final Allocation shall be borne as specified in the procedures set forth in Section 2.4(b) as if they applied to the resolution of the disputes relating to the Final Allocation pursuant to this Section 6.3(e) *mutatis mutandis*. The Parties shall file all Tax Returns (including Form 8883) in a manner consistent with the Final Allocation, and none of the Parties shall take any Tax position to the contrary to the Final Allocation on any Tax Return or in any proceeding or audit.

3. Full Force and Effect. Except as specifically amended, modified, or supplemented by this Amendment, the Purchase Agreement, as amended, shall remain unchanged and in full force and effect.

4. Governing Law. The parties hereto expressly agree that this Amendment shall be governed by, and construed in accordance with, the laws of the State of Delaware.

5. Counterparts. This Amendment may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature) or other commonly recognized transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Amendment as of the date first written.

BUYER:

Verano Arizona, LLC

By____
Name: George P. Archos
Title: Chief Executive Officer

CANNABIST:

The Cannabist Company Holdings Inc.

By____
Name: David Hart
Title: Chief Executive Officer

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

I, Derek Watson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of The Cannabist Company Holdings Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 7, 2024

By: _____

/s/ Derek Watson

Derek Watson
Chief Financial Officer

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

In connection with the Quarterly Report of The Cannabist Company Holdings Inc. (the "Company") on Form 10-Q for the period ending September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 7, 2024

By: _____ /s/ David Hart
David Hart
Chief Executive Officer

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

In connection with the Quarterly Report of The Cannabist Company Holdings Inc. (the "Company") on Form 10-Q for the period ending September 30, 2024 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

Date: November 7, 2024

By: _____
/s/ Derek Watson
Derek Watson
Chief Financial Officer