THIS MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR JUSHI HOLDINGS INC. ARE ALSO INCLUDED IN THE FORM 10-Q FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2023, FILED ON SEDAR IN ITS ENTIRETY

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Management's Discussion and Analysis ("MD&A") covers the consolidated financial statements of Jushi Holdings Inc. and its controlled subsidiaries as of and for the three and nine months ended September 30, 2023 (the "Financial Statements"). Unless the context indicates or requires otherwise, the terms "Jushi", "the Company", "we", "us" and "our" refers to Jushi Holdings Inc. and its controlled entities. This MD&A should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto for the three and nine months ended September 30, 2023 (the "Quarterly Financial Statements"). The Quarterly Financial Statements have been prepared by management and are in accordance with generally accepted accounting principles in the United States ("GAAP") and should be read in conjunction with the audited consolidated financial statements and notes thereto for the year ended December 31, 2022, which are included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022, filed with the U.S. Securities and Exchange Commission ("SEC") on April 18, 2023 (the "2022 Form 10-K") and was also filed on the System for Electronic Document Analysis and Retrieval ("SEDAR"). All amounts are expressed in U.S. dollars unless otherwise noted.

Company Overview

We are a vertically integrated, multi-state cannabis operator engaged in retail, distribution, cultivation, and processing operations in both medical and adult-use markets. We are focused on building a diverse portfolio of cannabis assets through opportunistic investments and pursuing application opportunities in attractive limited license jurisdictions. We have targeted assets in highly populated, limited license medical markets on a trajectory toward adult-use legalization, including Pennsylvania and Ohio, markets that are in the process of transitioning to adult-use, namely Virginia, and limited license, fast-growing, large adult-use markets, such as Illinois, Nevada and Massachusetts, and certain municipalities of California.

Factors Affecting our Performance and Related Trends

Competition and Pricing Pressure

The cannabis industry is subject to significant competition and pricing pressures, which is often market specific and can be caused by an oversupply of cannabis in the market, and may be transitory from period to period. We may experience significant competitive pricing pressures as well as competitive products and service providers in the markets in which we operate. Several significant competitors may offer products and/or services with prices that may match or are lower than ours. We believe that the products and services we offer are generally competitive with those offered by other cannabis companies. It is possible that one or more of our competitors could develop a significant research advantage over us that allows them to provide superior products or pricing, which could put us at a competitive disadvantage. Continued pricing pressure due to competition, increased cannabis supply or shifts in customer preferences could adversely impact our customer base or pricing structure, resulting in a material impact on our results of operations, or asset impairments in future periods.

Employee Retention Credit

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), passed in March 2020 and subsequently amended in 2021, allowed eligible employers to take credits on certain amounts of qualified wages if the Company experienced either a full or partial suspension of operations due to COVID related government orders. During the nine months ended September 30, 2023, we, with guidance from a third-party specialist, determined that we were entitled to employee retention credit ("ERC") claims of $10.1 million for previous business interruptions related to COVID and filed for such claims with the Internal Revenue Service ("IRS"). The ERC claims, which will be recognized in the statements of operations and comprehensive income (loss) when we receive the refunds of such claims from the IRS, were recorded as deferred income in Accrued expenses and other current liabilities, with an offsetting receivable amount in Prepaid expenses and other current assets within the consolidated balance sheet as of September 30, 2023. The claims are pending review by the IRS, which in September 2023 instituted a moratorium on new claims until the end of 2023 and publicly announced an enhanced compliance review of existing claims, such as the Company's, submitted before the moratorium, and there can be no assurance that the IRS will approve all or a portion of our claim to the ERC. Failure by the IRS to approve all or a portion of our claim to the ERC would result in us not receiving funds for the portion of the ERC claim that was denied, and would require a corresponding amount of the recorded $10.1 million credit to be reversed in a future period. Additionally, the IRS may audit recipients of the ERC after disbursing funds and has a right to clawback any amounts the IRS determines were incorrectly disbursed.

Recent Developments

On November 10, 2023, the Company amended certain provisions of the Acquisition Facility with Roxbury, LP (the "Acquisition Facility Amendments"). The Acquisition Facility Amendments (i) reduced the minimum cash balance maintenance requirements in the Acquisition Facility from a fixed dollar amount to 10% of the outstanding term loans amount, which will have the effect of decreasing such minimum cash balance requirement as additional scheduled amortization repayments are made on such term loans, and (ii) made certain technical and conforming changes to account for the Company's Loan Agreement with FVCBank with respect to its Manassas, VA facility. Having completed most of the improvements to the Company's Manassas, VA facility, the Acquisition Facility Amendments also set forth certain limits on the Company's use of balance sheet cash to fund future improvements to the Manassas, VA facility.

The foregoing description of the Acquisition Facility Amendments do not purport to be complete and is subject to, and qualified in its entirety by reference to the full text of the amendments to the Acquisition Facility, a copy of which is filed as Exhibit 4.1 to this report.

Results of Operations

(Amounts expressed in thousands of U.S. dollars, except share and per share amounts)

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2023	2022	% Change	2023	2022	% Change
REVENUE, NET	$ 65,377	$ 72,817	(10)%	$ 201,675	$ 207,462	(3)%
COST OF GOODS SOLD	(36,863)	(45,075)	(18)%	(112,666)	(133,940)	(16)%
GROSS PROFIT	28,514	27,742	3 %	89,009	73,522	21 %
OPERATING EXPENSES						
Selling, general and administrative	25,688	40,590	(37)%	85,294	117,048	(27)%
Indefinite-lived asset impairment	—	37,600	NM	—	37,600	NM
Total operating expenses	25,688	78,190	(67)%	85,294	154,648	(45)%
INCOME (LOSS) FROM OPERATIONS	2,826	(50,448)	106 %	3,715	(81,126)	105 %
OTHER INCOME (EXPENSE):						
Interest expense, net	(9,345)	(13,111)	(29)%	(27,655)	(34,174)	(19)%
Fair value (loss) gain on derivatives	(7,460)	6,352	(217)%	1,660	63,233	(97)%
Other, net	1,368	(291)	(570)%	1,887	(361)	(623)%
Total other income (expense), net	(15,437)	(7,050)	119 %	(24,108)	28,698	(184)%
LOSS BEFORE INCOME TAX	(12,611)	(57,498)	(78)%	(20,393)	(52,428)	(61)%
Income tax (expense) benefit	(8,011)	2,802	(386)%	(26,705)	(9,959)	168 %
NET LOSS AND COMPREHENSIVE LOSS	(20,622)	(54,696)	(62)%	(47,098)	(62,387)	(25)%
Less: net loss attributable to non-controlling interests	—	—	— %	—	—	— %
NET LOSS AND COMPREHENSIVE LOSS ATTRIBUTABLE TO JUSHI SHAREHOLDERS	$ (20,622)	$ (54,696)	(62)%	$ (47,098)	$ (62,387)	(25)%
LOSS PER SHARE ATTRIBUTABLE TO JUSHI SHAREHOLDERS - BASIC	$ (0.11)	$ (0.28)	(61)%	$ (0.24)	$ (0.33)	(27)%
Weighted average shares outstanding - basic	195,128,096	192,880,468	1 %	194,649,053	189,119,282	3 %
LOSS PER SHARE ATTRIBUTABLE TO JUSHI SHAREHOLDERS - DILUTED	$ (0.11)	$ (0.30)	(63)%	$ (0.24)	$ (0.61)	(61)%
Weighted average shares outstanding - diluted	195,128,096	203,169,931	(4)%	194,649,053	205,695,590	(5)%

Three Months Ended September 30, 2023 Compared with the Three Months Ended September 30, 2022

(Amounts expressed in thousands of U.S. dollars, unless otherwise stated)

Revenue, Net

The following table presents revenue by type for the periods indicated:

	Three Months Ended September 30,			
	2023	2022	$ Change	% Change
Retail	$ 58,535	$ 67,038	$ (8,503)	(13)%
Wholesale	6,842	5,769	1,073	19 %
Other	—	10	(10)	(100)%
Total revenue, net	$ 65,377	$ 72,817	$ (7,440)	(10)%

Revenue, net, was $65,377 compared to $72,817, a decrease of $7,440 or 10%. Retail revenue decreased $8,503 primarily due to the closure of three underperforming stores, as well as declines in revenue in: (i) Illinois, due to the impact of the state of Missouri moving to recreational use, and (ii) Nevada and Pennsylvania, due to market price compression and increased competition. The decrease in retail revenue was partially offset by new dispensary openings from build outs and prior acquisitions. The Company ended the quarter with thirty-four operating dispensaries in seven states, as compared to thirty-five in six states at the end of September 30, 2022.

Wholesale revenue increased $1,073 primarily due to continued advancements at our cultivation and processing facilities that has enabled us to diversify our product offerings, as well as increase our competitiveness on quality, cost and distribution.

Gross Profit

Gross profit was $28,514 compared to $27,742, an increase of $772 or 3%. Gross profit margin increased to 44% compared to 38%. The improvement in gross profit and gross profit margin was driven by operating efficiencies at our grower processor facilities in Massachusetts, Pennsylvania and Virginia, as well as increased sell through of our branded products which have higher margins, partially offset by market price compression and increased competition in Illinois, Nevada and Pennsylvania.

Operating Expenses

Operating expenses were $25,688 compared to $78,190, a decrease of $52,502 or 67%. The following table presents information of our operating expenses for the periods indicated:

	Three Months Ended September 30,			
	2023	2022	$ Change	% Change
Salaries, wages and employee related expenses	$ 13,251	$ 18,985	$ (5,734)	(30)%
Share-based compensation expense	1,056	5,466	(4,410)	(81)%
Rent and related expenses	3,387	3,351	36	1 %
Depreciation and amortization expense	2,962	3,658	(696)	(19)%
Professional fees and legal expenses	1,420	2,520	(1,100)	(44)%
Other expenses [1]	3,612	6,610	(2,998)	(45)%
Indefinite-lived asst impairment	—	37,600	(37,600)	NM
Total operating expenses	$ 25,688	$ 78,190	$ (52,502)	(67)%

[1] Other expenses are primarily comprised of marketing and selling expenses, insurance costs, administrative and application fees, software and technology costs, travel, entertainment and conferences and other.

Salaries, wages, and employee-related expenses decreased due to a decrease in the number of employees as we work to right size the organization, as well as due to changes to our staffing models at our retail stores. Lower share-based compensation expense reflects lower value of share-based compensation granted as well as forfeitures of unvested equity awards. The three months ended September 30, 2022 includes general and administrative expenses related to our transition to GAAP reporting and costs associated with our registration with the SEC, which is included in professional fees and legal expenses, as well as non-cash impairment charge related to the business licenses associated with our Massachusetts operations.

Other Income (Expense)

Interest Expense, Net

Interest expense, net was $9,345 compared to $13,111, a decrease of $3,766, or 29%. The decrease in interest expense, net is due primarily to lower amortization of debt discount driven by the redemption of the 10% senior notes ("Senior Notes") in December 2022, partially offset by higher interest rates associated with the December 2022 modification of the Acquisition Facility, and the issuance of the 12% second lien notes ("Second Lien Notes").

Fair Value (loss) gain on Derivatives

Fair value loss on derivatives was $7,460, compared to a gain of $6,352. Fair value (loss) gain on derivatives include the fair value changes relating to the derivative warrants. The derivative warrants are required to be remeasured at fair value at each reporting period. The fair value changes in derivatives were primarily attributable to the movement in our stock price during the corresponding period.

Other, Net

Other, net was income of $1,368, compared to expense of $291, a change of $1,659. The change from expense to income was due primarily to the recording of additional indemnification asset of $716 related to acquisitions made in prior years, with an equal and offsetting amount recorded in income tax expense, $443 of foreign exchange translation gain due primarily to certain Second Lien Notes denominated in Canadian dollars, and other miscellaneous income.

Income Tax Benefit (Expense)

Total income tax expense was $8,011 compared to a benefit of $2,802. The change is primarily due to increased gross profit and higher tax interest and tax penalties in 2023, whereas there was a benefit in 2022 due to a business license impairment charge associated with our Massachusetts operations.

Nine Months Ended September 30, 2023 Compared with the Nine Months Ended September 30, 2022

(Amounts expressed in thousands of U.S. dollars, unless otherwise stated)

Revenue, Net

The following table presents revenue by type for the periods indicated:

	Nine Months Ended September 30,			
	2023	2022	$ Change	% Change
Retail	$ 180,461	$ 192,268	$ (11,807)	(6)%
Wholesale	21,214	15,085	6,129	41 %
Other	—	109	(109)	(100)%
Total revenue, net	$ 201,675	$ 207,462	$ (5,787)	(3)%

Revenue, net, was $201,675 compared to $207,462, a decrease of $5,787, or 3%. Retail revenue decreased $11,807 due primarily to the closure of three underperforming stores, as well as declines in revenue in: (i) Illinois, due to the impact of the state of Missouri moving to recreational use, and (ii) Pennsylvania due to increased competition. The decrease in retail revenue was partially offset by new dispensary openings from build outs. We opened new Beyond Hello™ dispensaries in Pennsylvania and Virginia in 2022, and in Ohio in 2023.

Wholesale revenue increased $6,129 primarily due to continued advancements at our cultivation and processing facilities that has enabled us to diversify our product offerings, as well as increase our competitiveness on quality, cost and distribution.

Gross Profit

Gross profit was $89,009 compared to $73,522, an increase of $15,487, or 21%. Gross profit margin increased to 44% compared to 35%. The improvement in gross profit and gross profit margin was driven by operating efficiencies at our grower processor facilities in Massachusetts, Nevada and Virginia, which was partially offset by declines in revenue in Illinois and Pennsylvania driven by market price compression. Additionally, gross profit and gross profit margin for the prior year were negatively impacted by the sell through of inventory acquired in the acquisitions of Nature's Remedy, which was acquired in September 2021, and Apothecarium, which had a fair value step up.

Operating Expenses

Operating expenses were $85,294 compared to $154,648, a decrease of $69,354, or 45%. The following table presents information of our operating expenses for the periods indicated:

	Nine Months Ended September 30,			
	2023	2022	$ Change	% Change
Salaries, wages and employee related expenses	$ 43,839	$ 54,915	$ (11,076)	(20)%
Share-based compensation expense	5,730	17,114	(11,384)	(67)%
Rent and related expenses	8,784	9,844	(1,060)	(11)%
Depreciation and amortization expense	7,202	8,779	(1,577)	(18)%
Professional fees and legal expenses	6,066	8,028	(1,962)	(24)%
Other expenses [(1)]	13,673	18,368	(4,695)	(26)%
Indefinite-lived asset impairment	—	37,600	(37,600)	NM
Total operating expenses	$ 85,294	$ 154,648	$ (69,354)	(45)%

(1) Other expenses are primarily comprised of marketing and selling expenses, insurance costs, administrative and application fees, software and technology costs, travel, entertainment and conferences and other.

Salaries, wages, and employee-related expenses decreased due to a decrease in the number of employees as we work to right size the organization, as well as due to the changes to our staffing models at our retail stores. Lower share-based compensation expense reflects lower value of share-based compensation granted as well as forfeitures of unvested equity awards. The nine months ended September 30, 2022 includes general and administrative expenses related to our transition to GAAP reporting and costs associated with our registration with the SEC, which is included in professional fees and legal expenses, as well as non-cash impairment charge related to the business licenses associated with our Massachusetts operations.

Other Income (Expense)

Interest Expense, Net

Interest expense, net, was $27,655 compared to $34,174, a decrease of $6,519, or 19%. The decrease is due primarily to lower amortization of debt discount driven by the redemption of the Senior Notes in December 2022, partially offset by higher overall debt balance due in part to funding of the acquisitions we made in 2022, as well as higher interest rates associated with the December 2022 modification of the Acquisition Facility, and the issuance of the Second Lien Notes.

Fair Value (loss) gain on Derivatives

Fair value gain on derivatives was $1,660 compared to $63,233. Fair value (loss) gain on derivatives include the fair value changes relating to the derivative warrants. The derivative warrants are required to be remeasured at fair value at each reporting period. The fair value changes in derivatives were primarily attributable to the movement in our stock price during the corresponding period.

Other, Net

Other, net was income of $1,887 compared to expense of $361, a change of $2,248. The change from expense to income was due primarily to the recording of additional indemnification asset of $1,530 related to acquisitions made in prior years, with an equal and offsetting amount recorded in income tax expense, and other miscellaneous income.

Income Tax Expense

Total income tax expense was $26,705 compared to $9,959. The change in income tax expense is primarily due to increased gross profit, higher tax interest and tax penalties in 2023, whereas 2022 was primarily due to a business license impairment charge associated with our Massachusetts operations.

Non-GAAP Measures and Reconciliation

In addition to providing financial measurements based on GAAP, we provide additional financial metrics that are not prepared in accordance with GAAP. We use non-GAAP financial measures, in addition to GAAP financial measures, to understand and compare operating results across accounting periods, for financial and operational decision making, for planning and forecasting purposes and to evaluate our financial performance. These non-GAAP financial measures are EBITDA and Adjusted EBITDA (each as defined below). We believe that these non-GAAP financial measures reflect our ongoing business by excluding the effects of expenses that are not reflective of our operating business performance and allow for meaningful comparisons and analysis of trends in our business. These non-GAAP financial measures also facilitate comparing financial results across accounting periods and to those of peer companies. As there are no standardized methods of calculating these non-GAAP measures, our methods may differ from those used by others, and accordingly, the use of these measures may not be directly comparable to similar measures used by others, thus limiting their usefulness. Accordingly, these non-GAAP measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are financial measures that are not defined under GAAP. We define EBITDA as net income (loss), or “earnings”, before interest, income taxes, depreciation and amortization. We define Adjusted EBITDA as EBITDA before: (i) non-cash share-based compensation expense; (ii) inventory-related adjustments; (iii) fair value changes in derivatives; (iv) other (income)/expense items; (v) transaction costs; (vi) asset impairment; (vii) loss on debt extinguishment; and (viii) start-up costs. These financial measures are metrics that have been adjusted from the GAAP net income (loss) measure in an effort to provide readers with a normalized metric in making comparisons more meaningful across the cannabis industry, as well as to remove non-recurring, irregular and one-time items that may otherwise distort the GAAP net income measure. Other companies in our industry may calculate this measure differently, limiting their usefulness as comparative measures.

Reconciliation of EBITDA and Adjusted EBITDA (Non- GAAP Measures)

The table below reconciles net income (loss) to EBITDA and Adjusted EBITDA for the periods indicated.

(Amounts expressed in thousands of U.S. dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
NET LOSS [1]	$ (20,622)	$ (54,696)	$ (47,098)	$ (62,387)
Income tax expense (benefit)	8,011	(2,802)	26,705	9,959
Interest expense, net	9,345	13,111	27,655	34,174
Depreciation and amortization [2]	5,816	6,618	19,780	15,663
EBITDA (Non-GAAP)	2,550	(37,769)	27,042	(2,591)
Non-cash share-based compensation	1,056	5,466	5,730	17,114
Inventory-related adjustments [3]	—	(1,197)	251	2,282
Fair value changes in derivatives	7,460	(6,352)	(1,660)	(63,233)
Indefinite-lived asset impairment	—	37,600	—	37,600
Other (income) expense, net [4]	(1,356)	1,575	(1,449)	1,170
Start-up costs [5]	—	118	—	3,824
Transaction costs [6]	—	1,212	19	4,877
Adjusted EBITDA (Non-GAAP)	$ 9,710	$ 653	$ 29,933	$ 1,043

(1) Net loss includes amounts attributable to non-controlling interests.

(2) Includes amounts that are included in cost of goods sold and in operating expenses.

(3) Includes: (i) inventory step-up on business combinations; (ii) inventory recall reserves; and (iii) reserves for discontinued products. The inventory step-up on business combinations relates to the fair value write-up on inventory acquired on the business acquisition date and then sold subsequent to the acquisition date. The inventory recall reserves relate to the estimated impact of the Pennsylvania Department of Health recall and ban of vape products containing certain cannabis concentrates. The ban was lifted in June 2022.

(4) Includes: (i) remeasurement of contingent consideration related to acquisitions; (ii) losses (gains) on legal settlements; and (iii) severance costs.

(5) Expansion and start-up costs incurred in order to prepare a location for its intended use. Start-up costs are expensed as incurred and are not indicative of ongoing operations of each new location.

(6) Transaction costs include: (i) registration statement costs such as professional fees and other costs relating to our SEC registration; and (ii) acquisition and deal costs.

Liquidity and Capital Resources

(Amounts expressed in thousands of U.S. dollars, unless otherwise stated)

Sources and Uses of Cash

We had cash, cash equivalents and restricted cash of $30,469 as of September 30, 2023.

The major components of our statements of cash flows for the nine months ended September 30, 2023 and 2022, are as follows:

	Nine Months Ended September 30,			
	2023	2022	$ Change	% Change
Net cash flows used in operating activities	$ (7,827)	$ (26,199)	$ 18,372	70 %
Net cash flows used in investing activities	(6,064)	(73,122)	67,058	92 %
Net cash flows provided by financing activities	17,214	36,080	(18,866)	(52)%
Effect of currency translation on cash	—	(233)	233	100 %
Net change in cash, cash equivalents and restricted cash	$ 3,323	$ (63,474)	$ 66,797	105 %

Operating activities. Cash used in operations was $7,827, as compared to $26,199. The decrease in cash used in operations was due to a reduction in the net loss, net of non-cash adjustments, partially offset by cash used for operating assets and liabilities in 2023 as opposed to cash provided by operating assets and liabilities in the prior year.

Investing activities. Net cash used in investing activities was $6,064 compared to $73,122. The current year includes $8,385 for the payments of property, plant and equipment for use in our operations partially offset by $2,321 in proceeds from sale of property, plant and equipment. The prior year includes $49,230 for the payments of property, plant and equipment for use in our operations, $20,892 paid for the acquisition of Apothecarium and NuLeaf, net of cash acquired, and $3,000 payment of contingent consideration liability for NuLeaf.

Financing activities. Net cash provided by financing activities was $17,214 compared to $36,080. The current year includes (i) $21,900 in proceeds from mortgage-related debt and (ii) $3,295 in proceeds from other financing activities, partially offset by: (i) $2,761 in net finance lease obligation payments, (ii) $2,438 payments related to the Acquisition Facility debt, (iii) $2,372 in payments of other financing activities, (iv) $250 in payments of loan financing costs, and (v) $160 in payments of mortgage-related debt. The prior year includes (i) $25,000 in proceeds from the Acquisition Facility to fund the acquisition of NuLeaf and Apothecarium, (ii) $13,680 proceeds from private placement equity offerings in January and February 2022, (iii) $5,233 in proceeds from other financing activities, (iv) $1,248 in proceeds from the exercise of warrants and stock options, and (v) $450 in proceeds from the collection of a note receivable from an employee shareholder, partially offset by (i) $7,948 in net finance lease obligation payments, (ii) $793 in payments of loan financing costs, (iii) $258 in principal redemption repayments of the Senior Notes, (iv) $189 in payments of mortgage-related debt, and (v) $343 in payments of other financing activities.

Liquidity

As reflected in our 2022 Form 10-K, we incurred a loss from operations of $220,333, including non-cash impairment charges of $159,645, and used net cash of $21,416 for operating activities for the year ended December 31, 2022, and as of that date, our current liabilities exceeded our current assets by $37,577. Furthermore, we have used cash of $7,827 for operating activities for the nine months ended September 30, 2023, and as of that date, our current liabilities exceeded our current assets by $28,001. Such current liabilities as of September 30, 2023 include aggregate contractual maturities of $19,662 of debt that is subject to indemnity claims in favor of the Company and not currently expected to be paid in cash within the next twelve months. Refer to Note 9 - Debt of our Quarterly Financial Statements contained in Part I. Item 1 of this report for more information. Since inception, we have focused on building a diverse portfolio of assets in attractive markets to vertically integrate our business. As such, we incurred losses as we expanded our operations. We have put in place plans to increase the profitability of the business in fiscal year 2023 and beyond. In order to achieve profitable future operations, we have commercialized production from our recently expanded grower-processing facilities in Pennsylvania and Virginia, as well as implemented a cost-savings and efficiency optimization plan which includes, among other things, reduction in labor and packaging costs as well as operating efficiencies at our retail and grower-processing facilities.

As concluded in the 2022 Form 10-K, substantial doubt existed about our ability to continue as a going concern, and, as a result of the above, substantial doubt continues to exist within the next twelve months from the date these financial statements are issued. We intend to fund our operations, capital expenditures and debt service with existing cash and cash equivalents on hand, cash generated from operations, including anticipated refunds from the IRS relating to employee retention credit claims, and, as needed, future financing (equity and/or debt) as well as the potential sales of non-core assets. The ability to continue as a going concern is dependent upon profitable future operations and positive cash flows from operations as well as future financing and/or sales of assets if necessary. There is no assurance that we will be successful in this or any of our endeavors or become financially viable and continue as a going concern.

The Quarterly Financial Statements contained herein have been prepared on a going concern basis which assumes we will be able to realize our assets and discharge our liabilities in the normal course of business for the foreseeable future, and do not include any adjustments to reflect the possible future effects on the recoverability and classification of assets or amounts and classification of liabilities that may result from the outcome of this uncertainty.

Off-Balance Sheet Arrangements and Contractual Obligations

As of September 30, 2023, we do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a material current or future effect on the financial performance or financial condition of the Company. For our contractual obligations, refer to Note 9 - Debt, Note 10 - Leases and Note 18 - Commitments and Contingencies of our Quarterly Financial Statements contained in Part I. Item 1 of this report.